A NEW FEDERALISM

HEARINGS

BEFORE THE

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION

ON THE

IMPACT OF THE PRESIDENT'S PROPOSALS FOR A NEW FEDERALISM ON THE RELATIONSHIPS BETWEEN THE FEDERAL GOVERNMENT AND STATE AND LOCAL GOVERNMENTS

Part I

FEBRUARY 21, 23, 27, 28, AND MARCH 8, 14, 15, 1973

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A NEW FEDERALISM

WEDNESDAY, FEBRUARY 21, 1973

U.S. SENATE,
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 3302, Dirksen Senate Office Building, Senator Edmund S. Muskie (chairman of the subcommittee) presiding.

Present: Senators Muskie, Metcalf, Chiles, and Roth.

Also present: Alvin From, staff director; Jane S. Fenderson, counsel; James Hall, counsel; Alfred Friendly, Jr., counsel; David E. Johnson, counsel; Lucinda T. Dennis, chief clerk; Maria P. Durelli, secretary; and Dorothy J. Kornegay, secretary.

Senator MUSKIE. The hearing will be in order, please.

I would like at the outset to welcome the Legislative Action Committee of the League of Cities and U.S. Conference of Mayors, a distinguished group, I think, whose appearance here in Washington couldn't be more timely in connection with the issues which confront this Congress and the country.

Since this is the opening day of these hearings, I do have a statement, with which I would like to begin the hearings for the purpose of outlining the issues, as I see them, and to set the background for the testimony we are going to get from these distinguished leaders of our cities.

OPENING STATEMENT OF SENATOR MUSKIE

The hearings we begin today in the subcommittee will examine the policy the President calls the new federalism and the impact of that policy on the performance of State and local governments.

In such a setting, we should expect that the issues raised will be immediate and intensely political. There will be forceful debate on the priorities set in the Federal budget for fiscal 1974. We will hear painful questions asked about the elimination or drastic reduction of important and popular programs of Federal assistance. We will explore the danger that diminished national expenditures in many vital areas, will force heavier, not lighter, tax burdens.

I welcome such argument. And I do not shrink from the idea that the controversy will be political. It is through such contests between partisans of differing ideas that America shapes its purpose and identifies its goals.

But at the outset, I want to define the broad framework in which these hearings are held. When Americans passed from a shaky Con-

federation to a strong Federal republic, they did so, as the Preamble to the Constitution said, "in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty * * *." And they gave the Congress the power, in article 1, section 8 of their Constitution to "provide for the common defense and general welfare of the United States."

Ever since 1788 when the Constitution was ratified, a creative tension has persisted over the interpretation of those words, over the relative responsibilities of the national and State legislatures to act decisively for the general welfare. Still the most durable standard for cooperative federalism in 1973 is the one set out by Alexander Hamilton in 1791, when he said:

> It is * * * of necessity left to the discretion of the national legislature to pronounce upon the objects which concern the general welfare and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for doubt that whatever concerns the general interests of learning, of agriculture, of manufactures, and of commerce are within the sphere of the national councils as far as regards an application of money.

Those were the words of Alexander Hamilton.

We have amplified Hamilton's interpretation to match the growth of the society he helped to found. "The general interests of learning" now extend to Federal aid for disadvantaged children, handicapped by illness, by race or by poverty. "The general interests of agriculture" to which he referred, have been read to cover the need for conservation programs, disaster loans and the electrification that makes isolated rural communities working parts of the whole nation. "The general interests of manufactures" to which he referred, now mean tax incentives for industrial investment on one hand and consumer protection on the other. "The general interests of commerce," to which he referred, extend to the battle to restore an endangered environment as well as to the regulation of interstate transport.

To "establish justice" we have enacted Federal civil rights laws and provided for their enforcement. To "insure domestic tranquility" we have worked to aid cities renew their most battered neighborhoods and deprive crime of its breeding grounds. To "promote the general welfare" we have sought to guarantee hope in childhood, broad opportunity in the working years, medical care in illness and dignity in old age. To "secure the blessings of liberty" we have established systems to assure legal counsel to the poor and to obtain equal treatment under the law for all.

Over the last 40 years the States and cities, the Congress and the President have established a cooperative federalism that takes the constitutional mandates of government as obligations to all Americans, goals that transcend State lines and purposes that are blind to distinctions of class or wealth or race or sex or religion. Pressed by competing, pluralistic interests, we have used the Federal setting to define "the general welfare" and to match national resources against overall needs.

But now we face a revival of the old slogans of selfish interest, masquerading this time under the banner of Government economy, smokescreened by sallies against bureaucratic waste and trumpeted as stream-

lined efficiency. The rhetoric of the new federalism is clever, but the substance is the long discredited belief which, in the words of Alexander Pope, ordains "self-love and social to be the same."

Sadly, perhaps, they are not the same. "Social evils pile up," Adlai Stevenson wrote a dozen years ago at the end of another period of government by apathy, "when" in his words, "little beyond unchecked private interests determines the pattern of society."

Now, in 1973, the administration is telling us that governmental efforts to determine the pattern of society have, by and large, been failures. On the basis of this highly arguable diagnosis, the President is moving to dismantle those parts of the Federal apparatus which were constructed out of concern for the public interest.

He is acting like a doctor treating an infected thumb by recommending amputation of the whole arm. The patient's health is of less concern than the chance to perform radical surgery.

I do not doubt that the infection is serious. But the cure seems worse than the disease.

In the course of these hearings we will look at some of the remedies the President has ignored. We will ask why defense expenditures should rise $4.7 billion in this year of peace and international detente. We will ask, subtracting the costs of Vietnam from the budgets this year and last, spending for other defense and military assistance programs should increase $7.5 billion. Further, we will ask why immediate reform of our tax laws could not produce both greater equity for all and new revenues from those who now pay less than their fair share.

Finally these hearings will investigate ways to correct the problems of delay and duplication, frustration, and waste of resources that now hinder the effective program of many categorical grant programs. The problems are there. A survey of cities by this subcommittee, being distributed in preliminary summary at the opening of the hearings, details the extent of the breakdown in the delivery of Federal assistance. But the responses we have received from concerned city officials spell out a cry for reform, not a mandate for mutilation.

For there must be no mistaking the truth : the President's proposals amount to a radical reversal of the concept of Federal responsibility for "the general welfare" as that concept has developed through our history. The new federalism says that the Federal Government can slash its contributions to meeting national education, medical, environmental, urban and employmeent needs and assign primary responsibility for those areas to State and local authorities.

Such an abdication of national commitment means that these enduring obligations will have to be met in the future by local financial structures that are already ill equipped to handle existing burdens * * * or not met at all. Taxes will not be saved. They will be shifted. Self-reliance will mean that State government or local government or those least able to bear the costs will have to pay the bills.

The Hobson's choice offered to all Americans is between higher property and sales taxes or the starvation and eventual death of worthwhile social initiatives. Cooperative federalism with its generous insight into national needs gave birth to these programs. A narrow definition of economy is now intent on strangling them before they can bear full fruit.

And the claim of economy is a false one. What savings can result from terminating the public employment program that will not be outmatched by higher unemployment insurance costs? What thrift is there in ending neighborhood youth corps when such a move propels idle youngsters into crime and forces higher expenditures for police protection? What logic can there be in closing day care centers—or in failing to establish needed ones—which would permit welfare recipients to become working citizens?

The President will claim that the special revenue sharing he has proposed will redeem the Federal obligation while putting the responsibility for successful execution of social programs at the level nearest the real needs. But the budget figures belie that assertion. The funds requested for grants-in-aid and special revenue sharing combined for fiscal 1974 represent a net drop of $3.6 billion under the outlays for programs that were carefully targeted last year. And the removal of the features that matched Federal money to local efforts further harms the development of private philanthropy as an extension of governmental endeavor.

General revenue sharing, our survey of cities indicates, has gone for many of the purposes it was intended to serve. The first year's allocations are being targeted on the capital construction needs, improved official salaries and better public safety which many cities could not have undertaken without the supplementary help general revenue sharing provides.

One area, however, has obviously been neglected. Only a small proportion of these first funds are being spent by the cities on social services for the elderly and the poor, even though such essential expenditures were one of the law's priorities.

And now the assistance given with one hand is being withdrawn with another—in total contempt of the promise implicit in last year's commitment of Federal help to hardpressed local government. Revenue sharing was not considered when it was passed—and must not be considered now—as an excuse to cut back Federal funding of social programs. Speaking 2 years ago to the very group of mayors who will appear as the subcommittee's first witnesses today, I said this:

> We can never get maximum benefit from the war against poverty, from the Model Cities Program, and from the air and water pollution control programs so long as the streets of our cities are strewn with garbage for lack of money to collect it or so long as our cities remain hotbeds of crime and violence because they cannot afford police to prevent it.
>
> What the cities need now is financial assistance they can use to pay the operating costs of government. They need money to pay for police and fire protection, schools, and garbage collection. They need, in short, general revenue sharing.

In closing, may I say, what the cities and States do not need—and cannot afford—is a betrayal of the promise of general revenue sharing. What they do need is a reform in the bureaucracy which now obstructs the efficient delivery of Federal assistance. These hearings will seek to determine the most appropriate reforms.

But the Congress is not ready to pass a sentence of death on the concept of federalism that has grown to meet the needs of a growing nation. We are not prepared to accept something called the new

federalism without understanding that it is a profound retreat back to the reactionary view of Government as a necessary evil. We remain committed to the belief that through cooperative federalism we can make Government again an instrument for the general welfare, a weapon to restore our sense of shared purpose and of great national enterprise.

I apologize to the mayors for taking this much time to outline this approach, but I thought in light of all the sparks and controversy and the partisanship that have launched this beginning of this session of the Congress, that it might be well to spellout at least this Senator's point of view of the issues that lie before us.

And with that, I am sure I owe my colleagues an opportunity to say what they might like at the outset of these hearings.

May I turn to Senator Roth, who is a valued member of this committee.

Opening Statement of Senator Roth

Senator Roth. Mr. Chairman, allow me to endorse the calling of these hearings on the future of our system of intergovernmental assistance. This action again demonstrates your real concern for the continuation of a vital and meaningful American federalism. I am sure that these hearings will bring out differences over what exactly this federalism should be. However, there is little doubt in my mind that this is the proper time to air these differences. I say proper time because we have just gone through 4 years during which an administration has attempted to rationalize the vast collection of grants which was created during the 1960's. We are currently involved in a debate over the impact of these reforms and the appropriate roles to be played by the Congress and executive in determining the form and size of aids to States and localities.

While I do not share many of the fears recently expressed about the President's "new federalism," I do want to take a hard look at its accomplishments, and its failures. Some of the questions of importance to me are: Have the Federal Regional Councils contributed markedly to the coordination of grant activities among Federal agencies? Have they and other measures resulted in fruitful decentralization of program administration? Have the efforts of the Federal Assistance Review and others to standardize requirements and application forms, to provide for integrated program applications, and to improve program information significantly lessened the amount of red tape involved in grants-in-aid?

Regardless of ones political and social philosophy, there should be agreement that intergovernmental programs must be made to work better than they have. Their operation can be improved by greater attention to evaluating their successes and failures, as well as through administrative reforms. Our society cannot afford to commit $40 billion to some 1,000 plus programs which duplicate effort, confuse their supposed beneficiaries, and are not clearly directed toward national goals.

Despite the likely agreement to be found on the need for improvements in grant machinery, there are still some basic philosophical disagreements over what sort of Federal system these grants should

contribute to. The disagreements center around the issue of how much choice should be left to the States and their communities in determining the use of Federal assistance. I have always felt great confidence in the ability of State and local officials to know better how to meet their own needs than bureaucrats in Washington. To my mind, this is the basic point involved in the debate over whether we should have more block grants, or "special revenue sharing," or more categorical grants. I am sure that in the final analysis the ideal system of grants-in-aid would be made up of an appropriate mix of categorical and bloc grants.

Despite my strong philosophical feelings on this issue, I still am most interested in exploring in these hearings the relative ability of different sorts of grants to simplify application procedures, allow latitude to State-local decisionmakers, and direct resources toward national goals. The last factor also must be one characteristic of a successful grant system.

In conclusion, I look forward to these hearings giving us new information with which to debate these important issues of our federalism. Perhaps we should consider going a step further by creating a bipartisan commission mandated to call a conference consisting of participants in Government at all levels to direct general public attention to laying out of a future course for our decentralized government. I am currently drafting legislation to create such a conference and am most interested in the ideas of others on the subject.

Thank you, Mr. Chairman.

Senator Muskie. Thank you, Senator Roth.

Senator Chiles.

Opening Statement of Senator Chiles

Senator Chiles. Mr. Chairman, I am also glad that you called these hearings. I applaud the purpose of the hearings. I join in Senator Roth's comments as to the need perhaps for some joint participation. I think one of the problems in our hearings is that we are sitting up here and the mayors are sitting down there and that the Governors aren't here and that the executive branch is not here. I have a strong feeling, until we can bring the parties and the participants together, we are going to be able to point out all of the problems, but we are not going to be able to find any of the solutions.

Most people have to agree with the President's theory of the new federalism that he seeks, to send some of the authority back to the mayors and back to local government, back to the Governors. The problem there is that the President is looking from one vantage point, I think. He is making the decisions from one vantage point without the advice of the mayors and without the participation of the Governors and without the participation of the Congress.

The Congress, on the other hand, has their vantage point and they attempt to impose solutions or to work out problems.

I think we are talking about something that is basic, virtually a new Constitutional Convention in which we would try to determine what is the role of local government, what should its role be to serve people, how does it have the wherewithal to carry out that role. The one job

I would not have in the political spectrum today of all jobs would be the job of mayor. No way in the world would you get me to be a mayor today, because the harder a mayor works, the more problems he uncovers, the more failure he has to bring up to the people that he is going to be responsible for because there is no way that the solutions to those problems lie within his hands.

I think that works against the whole theory of our Government and how we said it should work. Every level of Government should be able to work out their problems and that is the only way the people can grade the mayor, the chairman of the county commission, or the Governor, or the State legislature, or anything else. But at any of those levels, no matter how hard they work, the solution to the problem is not within their hands. The Mayor has to then go on bended knee to the State and then to the Federal Government, trying to seek a handout or a pittance so he can try to solve some of the problems that he has.

It seems to me that unless we can reach a point of sitting down and determining what are the things that local government should do for their people, should they handle fire protection, police protection, sewers, or should they be able to combat crime in the community and, if so, give them the wherewithal, the means, the money, to be able to handle these problems.

And what are truly State problems? And there, once we get into revenue sharing, we then get into the fight between the Governors and the mayors as to where money should be distributed, because in advance the Congress or someone designed a program and did not really determine what their role should be. So, what are the truly State problems that should be handled at the State level?

And those problems that are left, I think, would be national problems, and those the Congress could perhaps carry out and do a decent job, because it would be trying to handle national problems and not trying to run a city and not trying to run a State and not trying to delve into everything and be able to do nothing. Then we give to some administrative agency the right and rule and regulation-making power which makes the agency the Congress. People know now that their lives are being regulated now by the FHA and HUD regulations, by the ICC, not by the Congress.

What agencies write into the Federal Register becomes really the law under which the people work.

I think these hearings can be valuable because I think they can point out the problem again, but I have a strong feeling that until we can reach a point of bringing together the parties under a situation where we will be forced to find the soltuions to actually what the jurisdiction should be, and what the wherewithal should be of local government, of State government, and of the National Government, we will just continue to talk about the problems and we will not be able to solve any of the major domestic problems of this country, because we will continue to run into all of these boundary disputes and the red tape.

Senator MUSKIE. Thank you very much, Senator Chiles.

I might say that I doubt that the administration is hunting for forums to make its case. It could have found ample opportunity to do that, but nevertheless, we have invited the administration to send wit-

nesses to these hearings. I gather that we have them; I don't know who they will be.

Next week we will have the Governors here. But in the meantime we couldn't have, I think, a more knowledgeable group to represent local government than these distinguished mayors.

I have grown to know most of them, I think, in the course of a checkered political career. I have come to admire them all. The group is bipartisan, as perhaps it should be. We have only one Republican mayor who is present here, but that may say something about local government of the country.

But I would like to read the list of mayors so that those in the room will know whom we have. The chairman of the legislative action committee is the Honorable Moon Landrieu, mayor of New Orleans. Then we have Mayor Joseph Alioto of San Francisco; Mayor Lee Alexander of Syracuse; Mayor Stanley Cmich of Canton, Ohio; Mayor Peter Flaherty of Pittsburgh. Mayor Kenneth Gibson of Newark planned to be here but I gather he couldn't.

We have Mayor Roman Gribbs of Detroit; Mayor Richard Hatcher of Gary, Ind.; Mayor John Lindsay of New York; Mayor Henry Maier of Milwaukee; Mayor Norman Mineta of San Jose, Calif.; and Mayor Patricia Sheehan of New Brunswick, and we extend a special welcome to her; and Mayor Wesley Uhlman of Seattle.

With that, gentlemen, the floor is yours.

Mayor Landrieu, we will turn it over to you to handle. As far as I am concerned, you take the time of day necessary to tell your story to us and to the country.

STATEMENT OF HON. MOON LANDRIEU, MAYOR OF NEW ORLEANS, LA.; CHAIRMAN OF THE LEGISLATIVE ACTION COMMITTEE OF THE U.S. CONFERENCE OF MAYORS

Mayor LANDRIEU. Thank you very much, Mr. Chairman. You and your colleagues have very aptly set the stage for our testimony.

We want to thank you for permitting the cities of America to be heard on the first day of these hearings.

The legislative action committee consists of some 21 mayors, representing a true cross-section of the cities of America. We all are, in fact, bipartisan. We represent the very largest cities and some not so large. We represent cities from the west coast as well as from the east and north and south.

There are nine members of the committee who, unfortunately could not be here today and I would like to read those names for you. Two were here yesterday, Mayor Kevin White of Boston and Mayor Kenneth Gibson of Newark, who participated in the discussion with the leadership yesterday.

Also on the committee: Mayor Richard Daley of Chicago; Mayor Sam Massell of Atlanta; Mayor Burke of Louisville; Mayor John Wentz of Phoenix; Mayor Ben Boo of Duluth; Mayor Walter Washington of Washington, D.C.; and Mayor Ayres of Inglewood, Calif.

We not only speak for our own individual cities, Senator, but affirmatively express the policy of the U.S. Conference of Mayors as adopted

at the annual meeting of mayors from all over America. We think we express sincerely the views of the people who live in the cities of America.

In order to deal with the budget, which is such a massive document, in a single morning, each of my fellow mayors will confine his statement to a single problem raised by the proposed budget, or to the major impact of the budget on his or her city.

My role as the opening witness is, first, to present an overall view of what we, as mayors, foresee in our cities if Congress adopts the administration's proposed budget and, second, to recommend some alternative courses of action.

And let me assure you that we have not come here to wage an all-out defense of every categorical grant program devised in the previous decade. Many, if not most, of those programs were effective—others have not been. Many, if not most, were needed and appropriate at the time, but their time may have passed.

We generally support the administration's ultimate goal of consolidating various grant-in-aid programs provided the new system is adequately funded. Grant consolidation is a logical and progressive step for the Federal Government to take in meeting the varied needs of local governments as diverse as Houston and New Orleans.

Yet between now and that program's opening volley in July of 1974 the battle may be lost. For the administration in its budget plans for fiscal year 1973 and 1974 has brought the center city to its knees with crippling cutbacks and reductions and the frequent suggestion from the executive branch that these urban losses be made up with general revenue sharing is the most curious irony of all—for it may represent a failure by the administration to even accurately measure the enormity of the budget cuts and their effect upon urban areas.

From the perspective of mayors, what does this budget mean?

It means shifting more of the tax burden of this Nation from the progressive Federal income tax to regressive local sales and property taxes.

It means reducing not only the Federal Government's role, but also its basic commitment to advancing the general welfare.

It means an end to the emergency employment program, a dismantling of OEO, and a cutback of model cities—all of which have been used by many mayors to bring minorities into the mainstream of Government service.

It means a 6- to 12-month break in our already inadequate pace in renewing our blighted neighborhoods.

It means that low-income housing and sewage treatment plants and hospitals and new towns will not be built.

It means suddenly being informed that "a legacy of parks" program is a local, rather than a national, responsibility.

It means a 4-percent increase in funds for criminal justice purposes with details to be supplied later as to the nature and extent of a role for city governments.

It means the status quo in urban mass transportation funding and a 24-percent increase in highway funds for an urban transportation program to operate within a framework which is yet to be ironed out.

The proposed budget means all of this, Mr. Chairman; and to those mayors who have constitutional or statutory responsibilities in the

fields of public education, welfare, and health it has additional meanings. Each of these meanings will be addressed in the statements of my fellow mayors, in statements born out of frustration, desperation, anguish, and outrage.

We feel so strongly, Mr. Chairman, because we trusted in assurances by the administration that the enactment of general revenue sharing would not mean a cutback in funds for categorical grants in aid. Our understanding that general revenue sharing was to be "new" money goes back at least to July 8, 1969, when a meeting was held at the White House attended by Governors, county executives, and four mayors accompanied by the executive vice president of the National League of Cities. Our understanding was given support in the state of the Union message of January 22, 1971, in which President Nixon proposed going beyond general revenue sharing to what he later called special revenue sharing. The President said:

I propose that the Congress make a $16 billion investment in renewing State and local government. Five billion dollars of this will be new and unrestricted funds, to be used as the States and localities see fit. The other $11 billion will be provided by allocating $1 billion of new funds and converting one-third of the money going to the present narrow-purpose aid programs into Federal revenue-sharing funds for six broad purposes——

In other words, the President not only confirmed our understanding that the unrestricted general revenue-sharing funds were to be all new funds, he offered still another $1 billion of new money to be added to the six broad purpose programs which he would create by conversion of one-third of categorical grant programs.

Secretary of the Treasury, Connally, was quite explicit about revenue-sharing in his statement before the House Ways and Means Committee on June 2 and 3, 1971. Secretary Connally said:

As the money will be in addition to existing programs, each State, city, and county will benefit directly: Each will receive revenue-sharing money in addition to any benefits, services, or money it is now obtaining from the Federal Government.

The U.S. Conference of Mayors' Legislative Action Committee, testified before Ways and Means the week following Secretary Connally's testimony. We stressed two points in our testimony:

First, that as Mayors we had raised local taxes to our legal or economic limits. Second, that mostly we needed this new Federal fiscal assistance for basic services such as fire, police, and garbage which were beyond the scope of categorical grants. The President understood the kinds of basic services which cities were being forced to cut. The example he had used in the state of the Union message was the cutbacks in "trash collections" in San Diego and Cleveland.

Sixteen months after our appearance before the Ways and Means Committee the State and Local Fiscal Assistance Act of 1972 became law. We knew that the administration remained committed to our understanding that general revenue sharing was new money and was to be used primarily for basic services. We knew this because the Department of the Treasury issued a booklet entitled "What General Revenue Sharing Is All About." It contains the following question and answer:

Question: Will any programs be terminated because general revenue sharing has begun?

Answer: No. Revenue sharing does not mandate any cuts in existing programs. The purpose of the revenue sharing law is to allocate additional funds to State and local governments to augment existing programs and certain capital expenditures.

As late as January 19, 1973, many of the Mayors in this room received verbal assurances at the White House by Domestic Affairs Council staff that even though the budget would assume the expiration of the Emergency Employment Act that the Mayors would like what the budget provided for other urban programs.

Imagine our shock, our dismay, our confusion, and our anger, when the budget was released calling for no money for model cities, a token amount for urban renewal, and end to numerous categorical programs. Our shock was further compounded when we saw that the section of the budget providing for the dismantling of OEO also contains the following language:

> If constituencies of individual communities desire to continue providing financial support to local community action agencies, general and special revenue-sharing funds could be used.

This is directly contrary to Secretary Connally's response to Congressman Landrum in the Ways and Means hearing in which the Secretary said, "* * * there will be no Federal bureaucrats to tell the cities or States how they can spend it."

But enough of history. We must deal with the situation that now confronts us. In the weeks and months ahead we will be calling upon the Congress to join with us in dealing with the situation. We will be calling for the following:

1. A modified emergency employment program targeted for areas of hard-core unemployment. [Mayors Sheehan and Cmich will speak to this.]

2. A proper role for cities in both law enforcement assistance and in the proposed urban transportation program.

3. Adequate fiscal year 1974 appropriations, especially in the fields of housing and urban development and employment. This will immediately confront both us and the Congress with issues of spending ceilings, impoundments, inflation, and the role of elected officials at all levels in the reordering of national priorities. Mayor Lindsay has a statement on this point.

4. When the appropriate congressional committees take up the question of block grants, we will be seeking opportunities to insure that any such legislation properly deals with our concerns about "hold harmless," a growth factor, and planning and management resources. Mayor Mineta's statement will deal with this in greater detail.

In conclusion, Mr. Chairman, we as mayors simply cannot accept a philosophy emanating from Washington which says that programs which have not met expectations are to be eliminated and programs which have met expectations are now local responsibilities—without Federal resources. Eliminating programs does not eliminate the problems those programs were designed to cope with.

I thank you, Mr. Chairman, for giving me the time to make that direct statement.

If the Chair will permit, I would now like to call on Mayor Roman Gribbs and then, following him, another mayor who has to leave immediately after that presentation.

Senator MUSKIE. Thank you very much for your excellent statement. We will proceed with the two mayors you have named, without questions at this point and with the approval of the committee, so they may make their presentations.

STATEMENT OF HON. ROMAN S. GRIBBS, MAYOR OF DETROIT, MICH.

Mayor GRIBBS. Mr. Chairman, distinguished members of this subcommittee:

Before beginning, I would like to ask permission and request that a copy of my full statement be placed into the record. I am only going to synopsize it for just a couple of moments in the interest of saving time.

Senator MUSKIE. Without objection, that will be done.

[See prepared statement of Mayor Gribbs, p. 53.]

Mayor GRIBBS. Thank you, sir.

Senators, the impact of the budget on the city of Detroit is literally devastating. This financial vehicle for national priorities fails to deal with the needs of the city and substantially aggravates urban problems by reducing or eliminating many Federal urban programs. Economically, I have identified a potential loss to my city in excess of $155 million in Federal assistance next year.

The programs affected include the termination of the community action program, the termination of the maternal and infant care program, a $13 million reduction in model neighborhood programs, a loss of nearly 2,500 jobs under the emergency employment program, a loss of 18,000 jobs for youth during this next summer, as well as companion transportation and recreation support programs. The list goes on.

No matter how financially devastating this impact is to the city of Detroit, it should not be identified solely as a loss of Federal revenue. It cannot be labeled solely as a loss of programs. The real impact is human tragedy. The proposed budget really means that Detroit citizens will lose jobs, they will return to the compensation lines or welfare roles and they will add to the unemployment rate. Our unemployment rate averaged 10.6 percent for the entire year of 1972.

Now, this rate, I remind you, is for the fifth largest city in the United States, a city of over 1.5 million people. The proposed budget really means that citizens will be without job placement counseling, outreach and vocational training, and a city that will be severely cutting back on the essential services to our people. The proposed budget really means that youth will not be able to afford the clothes and the supplies for the next school year as they did last summer.

The proposed budget really means that 18,000 young people will be on the streets during this next summer with nothing constructive to do.

The proposed budget really means closing health centers which have dramatically decreased the incidence of tuberculosis, rheumatic fever and infant mortality. And the proposed budget really means the elderly will be required to pay for hospitalization because of increases in medicaid deductibility provisions. It means the jobless Vietnam veteran will not receive employment assistance. It also means the worker who cannot move his family into a decent home and will not because of the Federal moratorium on subsidized housing programs.

Gentlemen of the committee, this list of human suffering goes on and on.

Detroit, in fact, has been in the forefront of the urban struggle. In the past, our commitment has been to the people and we are just now realizing some success in restoring confidence, in restoring hope, in building optimism. The harvest of providing tangible services to improve living conditions is beginning to come in, but this task is certainly far from finished.

As long as central cities continue to be the dumping grounds for America's social ills, the needs will be there and they will increase. Yet, the budget proposed for next year shows a devastating curtailment of Federal financial aid and financial commitment.

Gentlemen, you know of the economic plight of Detroit. I have recounted that story many times in previous appearances before Congress. The city of Detroit simply does not have the economic capacity to provide these essential services by itself.

The President calls for program reform. I do support him in the reform of present programs, particularly when local direction in the use of Federal program funds will increase the rate of progress. However, we cannot wait 2 years for new tools. Problems, programs, and people do not stand still for deliberation and negotiation. The needs of the people continue during this transition.

We support restructuring, we support efficiency, we support the elimination of waste, but we cannot tolerate the human misery and suffering while we are waiting for that new day.

Senator, Gentlemen of the committee, I thank you for the opportunity to speak, particularly so early in the program, because we have to catch a plane.

Senator MUSKIE. How much time do you have, Mayor Gribbs?

Mayor GRIBBS. About 10 minutes. That is all; I am sorry.

Mayor LANDRIEU. May I ask, Mr. Chairman, that you now hear from Mayor Alexander of Syracuse, after which we can revert to our regular course? Those two have to leave at 11:15.

STATEMENT OF HON. LEE ALEXANDER, MAYOR OF SYRACUSE, N.Y.

Mayor ALEXANDER. Thank you very much, Senator Muskie, distinguished members of the committee. Thank you for the privilege of appearing before your committee.

I, too, would like to ask permission to file my remarks and summarize them. I trust that will be without objection.

Senator MUSKIE. Without objection, yes.

[See prepared statement of Mayor Alexander, p. 56.]

Mayor ALEXANDER. Thank you.

We recognize the leadership of this committee. We are not here to give advice to the committee, but only to give you impressions of first-hand observations of mayors of cities on how the President's proposals and budget will impact on our cities.

You heard from one of the Nation's giant cities, the city of Detroit, its distinguished mayor. I want to indicate to the committee that Syracuse is a city of just 200,000.

Syracuse, as you know, Senator Muskie, from your visits to our community, is a strong city, economically. We have never had a deficit in our community and we hope that we shall never have one. But I am concerned about what the President's budget and what his proposals will mean to the neighborhoods of our city and to the economy of our city. More particularly, I am concerned about what it will mean to the elderly, what it will mean to the young, and what it will mean to the veterans.

In your eloquent opening remarks, Senator, you were concerned about the arguments of economy. I, too, as the other Mayors, share that same concern. We heard these are economy measures and yet, as you heard from the previous mayors, we question whether that is true economy.

For example, under the Emergency Employment Act in my city 300 people are employed; in the county an additional 300 people are employed; and the State employs 100 more. A total of 700 in the metropolitan area or even smaller in the county area. In the city, 40 percent of those people are veterans. The Vietnam veterans. I will be asked to discharge those veterans. There are 60,000 veterans, as you know, across the United States under the Emergency Employment Act. They will be discharged, too. At the same time, as you also know, there are 245,000 Vietnam veterans unemployed in this, the richest Nation in the world.

While we properly honor the returning POW's, what do we do for Vietnam veterans today who are being ignored by the administration? I think we dishonor the debt we have to those veterans by ignoring their great needs.

In the neighborhood youth program for my city, that means 1,500 jobs will go; 1,200 of those are summer jobs. That means young people in my city that do not have vacation homes as one of the privileges that some of us have will be alone on the streets of my city.

And we sometimes ask ourselves, why do these young people take drugs? Well, I think you know why, Senator, but I wonder if the administration understands the full depth of the problem. When they do not have a job, when they do not have any evidence that this country cares about them, these young people indulge in such dangerous practices.

We had a very successful tutorial program in our community that assisted inner city children so that they would not become school dropouts, so they would continue their education and become useful citizens in our community. That program obviously must go if the proposals of the administration are carried out.

Because we are a high-impact demonstration city, the elimination of the EEA funds will mean a 5-percent reduction in my operating budget. A tremendous reduction in services, when just a short time ago President Nixon said in Philadelphia, amidst all of the pomp and the ceremony a Nation could muster, we mayors would now have the tools we needed to deliver education to our children, to protect the citizens on the streets of our cities, and to hold families safe in their housing units in our city.

And now by the greatest sleight-of-hand that I have ever seen, that has all seemed to evaporate.

In our city we have 70,000 housing units. Twenty percent of those housing units are substandard, unfit to live in, not by my judgment but by the judgment of the Bureau of the Census. We had 21 deaths last year in a city of 200,000. That is a great tragedy. And some of those deaths, as members of this committee must know, come about because people are living in substandard housing, not fit for human habitation.

We had 12,000 housing starts in our community that are in jeopardy by reason of the proposals of the White House. Six hundred sixty-seven of those units were dedicated for the elderly. Seventeen hundred are 236 and 300 were public assistance. Now it appears 860 of those, which are already under construction, may not be funded, and we cannot find anyone who will tell us whether or not we will get the funds for those housing units.

As you said, Senator, social programs in this country that are dying, and as I indicated, the people who have actually died in my community, to them must be also added the people who are alive but really dead. This Nation has accepted "peace with honor." The question now is, can we accept "poverty with honor?"

Thank you.

Senator MUSKIE. I wonder if I might ask just one question of you mayors who have to leave. And if we get a chance, my colleagues can ask one each.

The President says that these obligations can be picked up at the State and local level if you use general revenue sharing and special revenue sharing. Why can't they?

Mayor GRIBBS. First of all, we don't have special revenue sharing now. We don't really know what it means as such. It cannot, absolutely cannot, be picked up by general revenue sharing.

Let me just give you a quick example as to our budgetary problems and remind you again what we have been saying regularly, the purpose of general revenue sharing, it was an extra, it was an add-on, it was necessary because we were not picking up garbage, we were closing down fire stations and recreational workers were laid off.

Last year, in preparation for this year's budget, in the fiscal year, the one in which we are living right now, I had to anticipate, expect and pray for general revenue sharing to the extent of $48 million or immediately begin layoffs to that amount of dollars. Which means thousands of layoffs. That, added to 2 years before that, where I laid off almost 3,000 and eliminated 3,000 employees off our payrolls.

Luckily, with your support and the Congress and the President, general revenue sharing passed and bailed us out. But we had already spent literally $48 million. We did get $57 million for the 18-month period.

Now, next year we are going to get some $41 million on an annual basis, general revenue sharing. Even with those sums, the city has to find $30, roughly $25 and $30 million new money to balance the budget for the next fiscal year just to stand still. And this is on top of layoffs I mentioned before.

So even with the $40 million, somehow we have got to raise some more new revenue. And this is added, you have to add to that fact, we have taxed ourselves to the legal limits in property tax. We are the only city that has 2 percent income tax and in the State we are

the only city with 5 percent utility tax. We are helping ourselves; we are doing everything we can; and there is just not enough money to even stand still; and there isn't a penny, not a penny, to move from our normal funds into programs that are going to be cut.

Senator MUSKIE. Mayor Alexander.

Mayor ALEXANDER. In the last 10 years in my city, Senator, our operating budget doubled. Mine went up about 350 percent and fires increased about 150 percent. Each year we expect an additional increase in our operating budget of somewhere between 6 to 8 percent. We received $2.5 million, although they thought we would receive and did, in fact, budget for $3.6 million.

But at the same time the President released these funds to the mayors of the Nation, he also advised the public that these funds were not to be used for any purpose except tax reduction. Unfortunately, some legislative bodies in our cities took that literally. But even had we been able to use those funds, it would not have even taken care of the inflationary cost of operating the city from year to year.

We were told there were no additional funds, as Mayor Landrieu pointed out. And now we understand that the administration is telling groups that come to Washington to go back and see the mayor, he has general revenue sharing funds. We simply have been misled. We were told we were getting new and additional money when, in fact, we were being asked to accept this money, and other programs were being cancelled out.

Senator MUSKIE. Senator Roth.

Senator ROTH. Yes. A great deal of the testimony has concentrated on the question of funds. I dare say that no Governor or any mayor, Republican or Democrat, is going to say that he is getting sufficient money. But it seems to me that one of the primary things we are trying to learn here in these hearings is about something besides the funds.

Let's assume, for the moment, you are going to get the same dollar amount, whatever the system is, and we are not talking about budget. The question I have for these gentlemen, are you satisfied with the form it is coming in or do you feel by modifying these categorical grants into other types of broad block grants, special revenue sharing, that you could do a better job with the money that is being made available?

I think that is the key question we are trying to get at. How can we do the maximum amount of good with whatever funds are available and by reforming the type of program. I would like to have you comment on how you think we should reform if you think we should.

Mayor GRIBBS. I accept the latter part of your question as being the route that we support. I think the block grant approach is a good one and we have endorsed it as a matter of principle, the two national organizations, and our policy, annual policy statements. We working mayors ask for and will accept added responsibility, assuming that the dollars come to us with less redtape and with more flexibility.

Yes, I think that the restructuring of the delivery system is an important item and we are very anxious to participate in detail with proposals along that line.

Mayor ALEXANDER. I have nothing to add to that.

Senator ROTH. Thank you.

Senator MUSKIE. Senator Chiles.

Senator CHILES. Mayor, if you have time for a question. I understand that your city of Detroit has a problem similar to Jacksonville, Fla., in regard to your sewer problem. Our Mayor Tanzler of Jacksonville has a real plight in that under the new act, now until all of the money can be gathered in hand and approved, he is in jeopardy of spending any local funds. He passed a bond program for the city of Jacksonville in which they bonded themselves for some 30 years in order to carry out their programs. And now with the cutback in funds by the administration, he has got money in the bank that he is afraid to spend because he would be jeopardizing any kind of return on that money or having matching funds for that money by the very fact of the act that we passed, and then we have cut the funds out of the act.

Does your city have some similar problem like that?

Mayor GRIBBS. Not specifically, but we did not sell bonds with such conditions, implicit or expressed promises and condition of sales. But probably because we have been burned before.

About 2 years ago, under other Federal legislation, we were led to expect some $60 million from the Federal Government as two-thirds, roughly, 55-percent contribution, water, sewer, pollution plant construction. It wasn't forthcoming, although we started to build and let contracts to bring about this improvement in the pollution problem.

But what we had to do was go out there and borrow some more money. So we were really financing for a long period of time the Federal Government's commitment to help us clean the waters in the Detroit Metropolitan Area.

Ultimately, we did get the funds from the Federal Government, thanks to the help of Congress and others. But with the new programs and the new deadlines, and the new funding that we fought for, we were expecting to do much more and much has to be done. But now, just in this next year—because of the impoundment—we had planned to spend and match appropriately by city and State, funds that would have given us $123 million more than we will receive now because of the impoundment.

So what that translates into is a delay in years of solving the pollution problem in the Detroit Metropolitan Area.

Senator CHILES. Has your experience been that your cost has gone up and your expenditures?

Mayor GRIBBS. Indeed.

Senator CHILES. Can you give me any kind of figure, percentagewise?

Mayor GRIBBS. I can't, but I would be glad to mail you a report on that and will do so within the next few days, with specific cost figures and expectations.

Senator CHILES. I would also like to put that in the record, if you give me such report.

Thank you.

[The information above-referred to, follows:]

METRO WATER DEPARTMENT,
Detroit, Mich., April 27, 1973.

Senator EDMUND S. MUSKIE,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR MUSKIE: We have evaluated the extra costs that have occurred in our Pollution Control Program. The program breaks up into two large sections.

The first section was the project that was approved in 1966, to the present time having cost $239,000,000 for southeastern Michigan. This work was finally put under construction starting in 1970 and is just now nearing completion. The $239,000,000—counting interest, increased cost, prefinancing charges, etc.—cost us not less than $38,000,000 (and probably closer to $48,000,000) more than it should have had the contracts been awarded in 1966 when the project was approved. The delay was because we couldn't get approval to advertise by the State and Federal Government since they had not released the money.

We now have the second large stage of our construction, totaling $323,000,000, which has been held up since the beginning of 1972. This was a two-year allocation. Since the beginning of 1972 to the present time costs have been escalating at the rate of $1,777,000 per month on the $323,000,000 of construction. Time is going on, and since the preliminary approvals, our project has whittled down to $107,000,000, and when we will be able to proceed on that is not known.

In summation—during the period 1966 to 1970 increased costs on $230,000,000 worth of work, due to rising prices, was $38,000,000 plus. From 1972 to the present time, the project costs are going up at the rate of $1,777,000 a month, and when this work can be put under construction is not yet known. To date this increased costs amounts to approximately $26,600,000.

Respectfully submitted,

G. REMUS, *General Manager.*

Senator MUSKIE. Thank you very much, Mayor Gribbs.

Take my best wishes back to Detroit with you.

Mayor GRIBBS. Thank you, gentlemen.

Senator MUSKIE. Mayor Alexander has already left.

I think we can proceed with the regular program. It might be helpful if I state for the record a couple of relevant facts about special revenue sharing.

One, the President has proposed this year four special revenue sharing programs as against six last year. Comparing what he asked for the four this year against what he asked for the four last year, we come up with this:

In the fiscal 1973 budget, those four programs, urban community development, education, manpower training, and law enforcement, called for $9.4 billion. The same four programs in this year's budget call for $6.9 billion.

So for these four areas the President has requested something like $2.5 billion less than he himself thought was necessary a year ago.

Second, not all of these special revenue sharing programs will take effect in fiscal 1974. Some of them, and notably the community development program, won't take effect until fiscal 1975, which creates a fiscal gap of at least 1 year, with which presumably you gentlemen would have to find a way to cope.

I thought that information might be useful, if you don't have it, and in any case it might be useful at this point in the hearings.

Now, Mayor Landrieu, if you would continue.

Mayor LANDRIEU. Thank you.

I failed to mention that Mayor Gribbs is the president of the National League of Cities.

I ask you now to recognize the immediate past president of the U.S. Conference of Mayors and a charter member of the Legislative Action Committee, for a statement on what the administration's proposed fiscal year 1974 budget means in terms of local taxes.

Mayor Henry Maier of Milwaukee.

STATEMENT OF HON. HENRY W. MAIER, MAYOR OF MILWAUKEE, WIS.

Mayor MAIER. Mr. Chairman, first of all, I would like to thank you very much for your very cogent codification.

You have always been a great friend of ours. I would like to say that it is a pleasure to personally appear before a friend such as you have been, although the particular occasion is not a pleasure because of the seriousness of the cities of our country.

I want to thank Senator Chiles for the expression of sympathy that he gave us in the understanding of the situation that involves leadership in our central cities, particularly.

Senator Roth, I think you gave a statement of the issues, and I know you are going to attempt to give us a fair hearing.

The document before you certainly contains a series of broken promises to the mayors of America. And those, as you recollect, Mr. Chairman, who are going to suffer most from those broken promises are going to be the poor, the unemployed, the elderly, and the sick, the school dropouts, and other victims of poverty, who are concentrated in our central cities. And those who are going to pay for it are going to be our local property taxpayers.

I don't know how anyone can call this economy, because what it really boils down to, basically, is a shifting of the burden to the local property taxpayer.

Mr. Chairman, may I again remind the committee that the local property tax was originally designed for nothing other than sewage and garbage and fire loss and it was never built to take on the giant social overhead of such matters as education and health and even police in most instances, and certainly not the giant problem of poverty.

So it seems to me to be just the faintest kind of stark illusion to be trying to tell the people of America that there is economy in this budget. There is not economy in this budget; there is simply a shifting of the burden.

Let me again emphasize, the last time, Mr. Chairman, that a group of mayors lined up jointly at a congressional witness table, we were testifying on behalf of the general revenue sharing bill that was enacted by the Congress in the last session.

The mayors were united behind that witness table and we were united behind the bill because we had been assured, not in general terms, not in broad language, but most explicitly, that general revenue sharing was not to be a substitute for ongoing Federal categorical programs.

Now, this explicit assurance was given by the President himself at a meeting held at the White House with the Governors, the mayors, and county officials. So, consistent with this understanding, the President

in his budget message on revenue sharing, cites it as something that will help State and local governments avoid higher taxes.

But when we read the budget itself, we find the record of that message has not been reconciled with the reality of its reductions. Or to put it more bluntly, the President is breaking the promise that he made to us at the White House, Mr. Chairman.

In explaining the termination of grants for local community action programs, as our chairman has pointed out, the budget states that its communities desire to continue providing financial support on local action agencies, revenue sharing funds could be used.

In phasing out open space programs, the budget reads:

> Provision of Local Open Space is a low priority use of Federal resources. Local communities may continue to provide public open space through use of federally shared revenue.

In cutting off the grants for public libraries, the budget declares that with the increasing availability of general revenue funds, States, and localities will be able to continue programs formerly supported by Federal categorical assistance programs.

Now, it is no secret, it is well spelled out by the Ways and Means Committee's report, that the basic objective of general revenue sharing was to simply keep the broad line mainly in the area of fire and police and health in the local governments.

Gentlemen, when you add up the effects of the President's impoundment of funds, which is already appropriated by the Congress, the freezing of HUD programs announced by outgoing Secretary Romney, and the deep slashes in the Presidential budget before you, we find that the cities are going to be worse off financially than before general revenue sharing was enacted.

I am going to demonstrate that specifically when I later discuss how the cutbacks are going to affect one city's programs.

On top of this, we find the President's budget saying to the people, whose programs were not administered by the city government, such as our school board, our county government and social development commission, in the case of my city, which administers the poverty program, that if you want these programs continued, go to city hall and have them finance out of general revenue sharing funds.

Now, Milwaukee received about $11 million in general revenue sharing funds the first year. The social programs administered by agencies other than the cities are to be slashed by more than $20 million for the present. The intent to substitute general revenue sharing funds for categorical aid programs represents a gigantic doublecross of the rural poor and city poor of America. General revenue sharing funds were distributed across the board for every municipality in America, the "Gold Coast of Suburbia," as well as the bankrupt central cities of America, and the rural townships.

Now, the mayors of America, these mayors, certainly would not have campaigned—these were the leaders in the campaign throughout the country—they certainly would not have campaigned for a general revenue sharing in a form which simply further enriched the wealthy suburbs of America, had we known that later the categorical cuts were going to be designed to make the inner cities and the rural poor areas poorer.

The mayors who campaigned across the country for revenue sharing are really now the victims of a cruel hoax, if these cuts are allowed to stand. This is not the only answer. Before the election, President Nixon had promised relief for the local property taxpayers by having the Federal Government take over some of the cost of education now borne by local property tax. Certainly, in terms of any functionary tax system, this makes sense.

But now another hoax is being perpetrated. President Nixon is creating the impression, and a lot of our citizens, particularly businessmen, are buying it, that within the series the money can be spent on domestic priorities if the Congress so chooses. But, as you know, Mr. Chairman, President Nixon has declared at a press conference following submission of the budget, that if the Congress were to restore these cuts in city programs, he would veto them and if the Congress passes them over his veto, he would impound the funds.

The final and inevitable results of these reductions in city programs through the freezing of funds and the deep slashes in the budget will be to transfer the burden onto the back of the already overburdened local property taxpayer. The President says the budget must be cut to prevent inflation and avoid a tax increase. We don't quarrel with him on that score. We certainly do quarrel with him on where he thinks the cuts will be made.

What should be, by any reasonable inspection, the No. 1 priority in domestic needs, the problems of urban America, becomes the lowest priority in the President's budget.

The programs of the cities were slashed from $4.2 billion to $2.7 billion, and programs reflecting the poor, elderly, unemployed, untrained, sick and young, were slashed by $7 million. At the same time, Mr. Chairman the total budget was being increased by $11 million.

Let me tell you specifically how those cuts will affect our city, the city of Milwaukee. The figures for New York, Detroit, Chicago, certainly are more dramatic and more overwhelming, but if you look at the Milwaukee figures, you get some measure of the impact on our cities generally.

The city of Milwaukee itself will lost $75 million next year. That is the equivalent of $425 for every family in the city. The social programs administered by other agencies were slashed by another $20 million. That is a total of $95 million, which will be taken out of our local economy next year.

Mr. Chairman, can you imagine the outcry if the President had closed 20 defense plants in Milwaukee which were generating $95 million to our local economy?

In health services, we are going to lose more than $700,000. Antipollution and other funds to improve the environment, we are going to lose more than $20 million. Funds for job training, we are going to lose $5 million. In funds for economic development, we are going to lose more than $400,000. For housing and neighborhood renewal, we lose almost $49 million, and part of that is represented by the loss of 840 units of low-income housing which our housing authority was ready to put under contract this year. And, as you know, Secretary Romney placed an 18-month moratorium on housing and as a result we are not going to be able to build this or any other low-income housing for the

next 18 months, and we have no indication from the administration as to what we can do about low- and moderate-income housing after that 18-month period of freeze.

Now, during that 18 months we should be building, we have extensive, overwhelming needs, we should be building not only these 840 units which have been snatched away from us, but another 6,000 units of low- and moderate-income housing that is lost to a freeway construction alone, to take care of people that are uprooted by other public actions, federally sponsored, and to reduce the heavy backlog which exists on the rolls of our public housing authority.

How much, Mr. Chairman, of these losses will we recover if special revenue sharing block grants are passed? Next year, not a penny, because as you very well know, which unfortunately the country as a whole does not understand, special revenue sharing legislation is not due to take effect until July 1974.

Mr. Chairman, none of the cuts I have outlined would be affected by the education, manpower, or law enforcement special revenue sharing measures. The community development special revenue sharing bill would provide us only with $10.5 million out of the $49 million lost locally, because, as you know, the community development bill does not provide any funds for housing assistance programs which former Secretary Romney put under a freeze.

More than the money, the cutting out of these funds affect the people of my city. It affects the kind of neighborhood they live in, it affects the cleanliness of their rivers and our lakes, housing for the elderly our health, our jobs, our economic vitality; indeed, the very quality of our life.

General revenue sharing was not intended to replace categorical aid and special revenue sharing will not replace the loss that the cities are going to suffer, and the Presidential freezing of funds makes a mockery of the Congress and an unwanted stepchild out of our cities.

By all rights, our cities deserve to be our Nation's No. 1 priority.

Mr. Chairman, our cities deserve the more, not less, if this Nation is going to grow in greatness and if we are going to preserve—let me underscore this—if we are going to preserve the domestic tranquility, as well as improve the quality of life in our cities.

Thank you, Mr. Chairman.

[See prepared statement of Mayor Maier, p. 57.]

Senator Muskie. Thank you very much for that statement, Mayor Maier.

Mayor Landrieu. As I said, Mr. Chairman, in my opening remarks, Congress as well as mayors are confronted this year as perhaps never before with issues of spending ceilings and impoundments and how Federal, State, and local elected officials are to participate in setting priorities. To address those issues, I request you now to recognize a former Member of Congress, Mayor John Lindsay of New York.

Senator Muskie. Yes, but for a political decision he made a little over a year ago, this meeting would be a little more bipartisan.

Mayor Lindsay. Mr. Chairman, I served as a Republican Member of Congress, I ran for reelection for mayor as an Independent Liberal, and ran for President on the Democratic side, and I am still looking for that happy home.

STATEMENT OF HON. JOHN V. LINDSAY, MAYOR OF NEW YORK CITY, N.Y.

Mr. Chairman, members of the committee, the administration has taken the unprecedented step of unilaterally imposing levels of Federal expenditures through impoundment and other techniques, enforcing on the Nation's cities and suburbs its own arbitrary choices of programs to be funded or cut.

We have seen this policy at work in the steady, deepening failure, beyond prudence, beyond economy and efficiency, to release funds appropriated by Congress to meet even minimal national priorities.

We have thankfully passed through a tragic and dreary decade of war abroad and want at home. Now many Americans in city and suburb, middle class and poor alike, legitimately expect a new thrust toward domestic solutions. But, instead, we see shrinkage, retraction, and abandonment of vital programs: A freeze on public employment programs; a moratorium on housing; a recision of veterans' benefits; a cutback on legal services; a slashing of day care centers, and more. Finally, we see the ultimate conclusion: A take-it-or-leave-it budget that may be enforced, whatever Congress decides.

Let me tell you what this perverse policy means to my city in real programs and hard numbers.

HOUSING

In the past 3 years, New York City has broken all records for tax-assisted housing starts—averaging 25,000 units a year. This year we are ready to start another 30,000 units of low- and moderate-income housing. The Federal moratorium on housing funds has stopped that massive housing construction program—and it has destroyed the financing for 6,000 units, now in construction.

WATER POLLUTION CONTROL

New York City is moving forward with the Nation's largest water pollution control program to clean our waterways well ahead of every other city in the Nation. Our comprehensive secondary treatment program costing $2 billion, and underway and in construction, is now hindered only by a failure of Federal financing—by the decision of the President to allot $664 million less to New York State and its localities than Congress required in the Water Pollution Control Act Amendments of 1972. Instead of 55 percent Federal funding, we are only receiving 5 percent. Although we are proceeding, our city will be penalized for its rapid management and massive commitment and my city has felt compelled to institute legal action in the Federal courts to force compliance with the 1972 congressional enactment.

MANPOWER

Under the Emergency Employment Act, New York City has provided 3,300 jobs for those in need, many of whom are Vietnam veterans. The 1974 Federal budget proposed to eliminate that vital program entirely. At the same time, the Department of Labor has just

frozen enrollment in the city's other manpower programs—the Job Corps, new careers, on-the-job training, and the concentrated employment program. And, make no mistake, freeze means kill when the city is receiving approval for contracts totaling only $1.5 million out of total requests of $9.4 million. There is no worse breach of faith than to deny jobs and training to those eager to work.

HIGHER EDUCATION

Our free-tuition city university system, which has 200,000 student enrollment, 100,000 full time and 100,000 part time—the only one in the Nation—which pioneered open enrollment for all high school graduates, to the greatest benefit of the sons and daughters of our blue collar working families, has anticipated $4 million in aid for veterans under section 420 of the Higher Education Act—except that now there is a request for rescission of the appropriation that would have provided this vitally needed assistance.

Remember, that in my city, the United States of America is dumping 2,500 Vietnam veterans per month, between 10 to 15 percent of them addicted. Most of them thirsty for some form of higher education and for jobs.

And there are a host of other program reductions which will affect the daily lives of millions of New Yorkers. We have been told that these cuts are necessary for responsible economic policy.

But is it responsible to cut child nutrition programs for ghetto youth, compensatory education for the disadvantaged, model cities and community action for those who want to rebuild their neighborhoods?

We are proud of what we have accomplished in New York City with available Federal funds:

Unprecedented levels of new housing production;

Dynamic community action and model cities self-help programs that have revitalized forgotten areas;

The Nation's largest and fastest growing day-care program for children of working mothers who want to stay off welfare; and

A summer employment, education and recreation program that provides an outlet for tens of thousands of otherwise idle teenagers.

One small such program alone is Neighborhood Youth Corps, which in my city has employed 43,000 teenage kids in the summertime alone. That is abolished.

That is what we have done with these funds, and we are prepared to demonstrate in my city—as in countless other cities across the Nation—that our management and delivery systems are as good as those of any Federal program—from Defense to Agriculture to Space.

Any objective standard of performance under Federal programs will find that urban programs stand up well in comparison to the other contracts and direct operations of the Federal Government that will continue to receive funds, while local budgets are cut back. And unlike these expenditures, urban programs directly help people in the cities and towns across the Nation.

In sum, the impact of these cuts is intolerable. This is not the way to fight inflation or devaluation, the rising cost of living or the declin-

ing quality of life. No one can claim to be concerned about fighting crime when funds are cut for jobs and schools in our cities.

In fact, there are in our gold-plated, bloated military budget alone more than enough dollars to fund our most vital domestic programs without the slightest danger to our national security.

The future of these programs should not be a question of partisanship or party loyalty. We mayors who have joined together in this fight are Republicans, Democratic, and nonpartisan politicians—and some of us have tried all three—who have learned the hard way that urban solutions begin where partisanship stops. In New York City, we have already formed an ad hoc coalition of 60 business, labor, and civic groups to fight the housing freeze—and they are appealing to our entire congressional delegation and the Governor and State leadership to support this bipartisan effort.

Understand us: We strongly assert the need for rational limits on national spending. But we also assert the mutual responsibility of the President and the Congress for setting those limits. Now, Congress must act to reclaim its responsibility.

We urge the Congress, therefore, to develop the machinery to identify the sum of national needs and compare them with the sum of available resources—and thereby set our Nation's priorities.

We urge you to use that machinery to determine what is urgent and what can wait, what is crucial and what is frivolous.

We urge you to enforce those determinations, to change the shape of proposed Federal spending, for we are confident you will find the highest priorities are here in the neighborhoods of our cities and suburbs.

Senator MUSKIE. Thank you, Mayor Lindsay, for that excellent statement.

Mayor LANDRIEU. Mr. Chairman, in general, we favor the concept of block grants. We support block grant legislation provided it meets certain conditions. To deal with the specifics of our concerns of about one proposed block grant, I request recognition of the chairman of the U.S. Conference of Mayors' Community Development Committee, Mayor Norman Mineta of San Jose.

STATEMENT OF HON. NORMAN Y. MINETA, MAYOR OF SAN JOSE, CALIF.

Mayor MINETA. Senator Muskie, members of the committee, I am Norman Mineta, mayor of the city of San Jose, Calif., and chairman of the U.S. Conference of Mayors' Community Development Committee.

In my testimony today I would like to address three items which are in the President's budget, or should I say in some instances are noticeably not in the budget, which are of vital concern to the cities.

They are (1) the issue of the administration's so-called community development special revenue sharing which is proposed by the administration to commence in fiscal 1975; (2) the budget, or lack of one, to fund community development activities during the fiscal year 1974 transition period, during which time the administration indicates that cities are supposed to prepare for the advent of the so-called special

revenue sharing measure; and (3) the administration's unfortunate freeze of the federally assisted housing programs for which the budget seems to suggest no concrete remedies.

I. THE ISSUE OF DO CITIES SUPPORT COMMUNITY DEVELOPMENT SPECIAL REVENUE SHARING/COMMUNITY DEVELOPMENT GRANT CONSOLIDATION

Let me begin by clarifying one very important semantic issue. It is that the so-called special revenue sharing measure which was proposed by the administration 2 years ago and is once again called for in the President's current budget is not revenue sharing in the sense that we have been using that term in connection with the general revenue sharing measure which passed Congress last year.

Instead, it is a concept of grant consolidations which would provide for the merging of several existing categorical grants-in-aid into a single block grant to be allocated to the units of local general purpose government on a formula basis. An application would be required and funds would be used by those governments for the defined, consolidated, and eligible activities enumerated in the act, in accordance with local priorities.

As to whether we favor the block grant method of allocating funds to cities for community development purposes, let me point out that the U.S. Conference of Mayors has repeatedly acknowledged the difficulties that the continual creation of separate, narrow categorical programs has posed for cities.

It was the stated policy of the USCM as early as 1967 to seek grant consolidation legislation.

I might make note of your early effort, Senator Muskie, on behalf of grant consolidation. In terms of the specifics of the community development block grant legislation which almost passed Congress last session, I have to point out that over 2 years ago—in November 1970, to be exact—our USCM legislative staff was already assisting the House and Senate Housing Committees in the drafting of their own community development block grant bill. That effort was joined by the administration when the President's bill was sent to Congress in March of 1971.

As to the President's specific proposal, we, of course, have not seen what the administration will propose in this year's version of their bill. But the specifics of the yet-to-be-introduced administration measure are not the issue. For we are confident that through the fine cooperation we have had in the past with the substantive committees of both Houses, we will be able to fashion community development block grant legislation which will be responsive to cities' needs.

Returning to the point, then, of our position as to the President's so-called community development special revenue sharing proposal, our position is that we are not only grateful for the support we have so far received from the Congress, but we are delighted that the Administration has once again chosen to support the mayors' proposition that community development grant consolidation should take place. We did not support the President's original bill in many of its details when it first put forth 2 years ago. I would not be surprised to find that we will not support all of the key details of his resubmitted bill this year.

Our support for grant consolidation in the area of community development programs should not be construed by the Congress or the public as our carte blanche endorsement and support of whatever the administration's so-called community development special revenue sharing turns out to be.

But what is important is the President's continued support for our concept that there be grant consolidation. Within the context of the congressional process, we are confident that we can work out the details of a satisfactory piece of legislation.

Senator Muskie, I would like to add at this point that I find myself in basic agreement with most of the points you raised in your address before the Intergovernmental Relations Committee of the National Legislative Conference and your remarks in introducing S. 834 earlier this month.

As you know San Jose is participating in and is attempting to positively influence the development of such efforts as planned variations, the use of chief executive review and comment, and annual arrangements.

We also share your concerns over the difficulties involved in focusing general revenue sharing funds on relevant local problems. In fact, a member of my staff has written management guidelines dealing with the issues you raise as they relate to annual arrangements and general revenue sharing, which have been published by International City Managers Association for use by the city managers throughout the Nation, which I will submit for your review.[1]

But the point I agree with you most heartily on is when you said:

> When faced with the legitimate call for a more efficient Federal structure, and for greater attention to the capacities of local government to judge and meet local needs . . . my own response . . . is to reform the grant process, not junk it.

The community development block grant, in our judgment, would be such a reform. I believe it would be useful to remind the committee of the salient elements we feel should be in such legislation. I have listed them in my testimony, but for the sake of time, I would like to move on to page 7 and deal with the issue of transition.

They are:

1. That the allocation and distribution of funds be made directly to units of general purpose local governments;
2. That the consolidated activities include at least HUD's major community development programs of urban renewal, neighborhood facilities, open space land, basic water and sewer facilities, and model cities;
3. That the authorization and appropriation for the consolidated community development block grant program be adequate to cover the pressing needs cities have to carry out the activities being consolidated. I should point out that the President's budget calls for a \$2.3 billion appropriation commencing in fiscal year 1975. That figure is close to the recent annual program levels for the programs the President's budget proposed to consolidate. May I suggest that we in no way agree that the current appropriation levels for the present programs of urban renewal, open

[1] See information referred to on pp. 338 and 354, respectively.

space land, and so forth, are adequate to meet America's domestic needs;

4. That adequate provision be provided to insure a minimum funding guarantee ("hold harmless") to those cities currently involved in federally funded community development activities so as to enable such cities to maintain their existing capacity and momentum if they wish to do so;

5. That the definitions in the list of eligible activities describe a broad, flexible physical development instrument which can and should include necessary supportive social services and on-going executive planning and management activities;

6. That there be a requirement that each community, prior to funding, file an application setting forth evidence of a locally determined comprehensive community development plan which demonstrates that the community has addressed its slums and blight problems, its low- and moderate-income housing problems, and its needs to improve the delivery of social services in conjunction with its basic community development program;

7. That the Federal grant should equal 100 percent of the project cost and that there be no local share requirement;

8. And that the measure provide a programmatic link between the allocation of community development block grant funds and the distribution of federally assisted housing resources.

II. THE ISSUE OF TRANSITION

We have said that we support not only the concept of the community development block grant, but that it is our concept. Further, with continuing congressional support the prognosis for a successful legislative effort which would implement this concept of providing aid to local governments seems to be favorable. Therefore, assuming the development and ultimate passage of such a measure, we must focus our attention on the period of transition required to move from the present use of the collection of categorical grants affecting community development to the simpler block grant.

The President's budget proposes that the block grant begin on July 1, 1974, some 16 months from now. As the committee of course knows, this legislation has yet to be introduced into the 93d Congress let alone enacted. Given that fact together with the manner in which the national funding mechanism for the block grant will function in that it will require local communities to develop and submit an acceptable plan for the utilization of these funds prior to the receipt of funds, the contemplation of a 16-month transition period may constitute a reasonable and realistic schedule.

Keep in mind that what is involved here is a shifting in the way we have been addressing our community development problems for the past several years. Under the present categorical grant-in-aid system we address our community development needs in part by filing hosts of applications for Federal assistance, each drawn up within the narrow terms of the specific categorical program guidelines and drawn against the vicissitudes of specific congressional appropriations and administrative allocations. In each instance the federally assisted community

development action involved is dependent upon the separate favorable approval of each specific application. Under such a system the potential for fragmentation or dilution in impact of our local community development effort through the favorable funding of some programs and not others is very high. This provides overwhelming obstacles to our ability to deal with our community's development requirements in a comprehensive fashion.

While the block grant will eliminate the potential of piecemeal funding of an overall community development effort, it will bring with it a whole new set of problems that locally we will have to face.

Principal among these is that each local government will now have to carry out some rather sophisticated priority planning as to which of its host of community problems will receive priority attention. The block grant, irrespective of the authorization appropriation level, will not provide adequate funding to cure our community development problems in the first year—or for many years. As an example, under the community development block grant legislation which passed the Senate last year, assuming a $2.3 billion national appropriation San Jose would have received an annualized block grant of some $6,385,000. But in San Jose we have for some time identified some $656 million in needed community improvement for which these funds could be addressed.

The point is that locally it will be incumbent upon us to rationalize a total program of community development in order to effectively utilize the sparse block grant funds. It will probably mean shifts in personnel, reassignment of duties, and a host of local actions. We welcome the responsibility to be held accountable for our community's development priorities; and we will welcome the removal of the narrow guidelines which have sometimes hamstrung us when we wanted to move boldly, and often protected us when the people in our communities asked us why we were proceeding in a particular fashion. But the point is also that the block grant is not a panacea, and for some of us the local transition action which will be required are going to be tough.

Does the President and his administration seek to help us with the task of transition which lies before us? Have they been trying to help stabilize as many of the community development variables as possible? Absolutely not. In a most insensitive and perhaps even inhuman fashion they have compounded our task of transition by callously freezing, curtailing, abolishing, and repudiating many of the essential elements of our community development effort.

On January 5, 1973, they brought to a halt—froze—the open space, water, and sewer program, public facility loan, and all federally assisted housing programs.

On February 1, 1973, by administrative fiat, without so much as a phone call to a single mayor, let alone Congress, they administered a disastrous halfing of the Model Cities program by reducing the national program level for that program by some 45 percent.

The President's budget essentially calls for no new moneys for any of HUD's community development programs in fiscal year 1974, with the minor exception of a token amount needed in order to close out a number of urban renewal projects.

Further, the budget in terms of the language itself, goes on to repudiate the merits and usefulness of some of our most effective community development programs . . . the very programs which we and they are proposing to consolidate into the block grant.

In short, rather than trying to help the nation's cities in making the transition from the categorical grant system to the block grant, they have compounded our effort by cutting the new program commitments for the programs I have just mentioned from $2.9 billion to a mere $500 million, and questioning the wisdom of some of the principal components of the block grant itself.

	Fiscal year 1973 new program commitment level prior to the freeze	Administration proposed fiscal year 1974 new program commitment level
Community development categorical programs:		
Urban renewal	1, 000, 000	137, 000
Model cities	620, 000	0
Rehabilitation loans	70, 000	0
Neighborhood facilities	40, 000	0
Water and sewer	200, 000	0
Public facility loans	40, 000	0
Open space	100, 000	0
Subtotal	2, 070, 000	137, 000
Federal assisted housing:		
Public housing	473, 000	350, 000
235	150, 000	0
236	170, 000	0
Rent supplements	48, 000	0
Subtotal	841, 000	350, 000
Grand total	2, 911, 000	487, 000

The administration has apparently made two assumptions, each equally invalid. The first is that we mayors want the block grant so desperately that we will endure anything to get it. I can tell you, Senator Muskie, members of the committee, that under these circumstances imposed by the administration's concept of transition, I would rather fight than switch.

The second equally invalid assumption implicit in the impoundments, freezes, and the President's budget is that the Nation can survive a year and one-half of no programs. To that let me suggest a truth that every mayor knows firsthand—and that is that America's problems cannot be postponed any more than they can be ignored.

Our position is simple. There must be provision for the full funding of the categorical grant/community development program during the transition period . . . right up to the commencement of the block grant.

We, therefore, urge this committee to make its feeling in that regard known to the members of the Appropriations Committee.

III. THE ISSUE OF THE FEDERALLY ASSISTED HOUSING PROGRAMS

Let's turn now to our position on the federally assisted housing programs, which is one of utter amazement and disbelief.

1. As you know the President, in a unilateral action, without any prior consultation with the Congress, terminated the assisted housing programs on January 5, 1973. The administration's budget released several weeks later reaffirmed the January 5 moratorium, and gave the details of the size of the impoundments resulting from the freeze. The budget shows no funds to be available during the next 16 months for new commitments, although the administration has indicated that some low level of new commitments would be permitted "to meet statutory or other specific program commitments."

I am not a constitutional lawyer but let me say that if the unilateral action terminating these housing programs was not unconstitutional, it most certainly was unethical and immoral. By such action the administration is reneging on our Nations' commitment to try and provide a decent home in a suitable living environment for every American family.

2. In terms of understanding the devastating impact of this action, you must look beyond the mere budgetary impact of the Federal dollars that now will not be spent and look at local impact in terms of the housing efforts which now will not happen.

Because of the housing moratorium, the level of new commitments for HUD assisted housing programs in fiscal year 1974 will drop by 93 percent from the fiscal year 1972 level: Fiscal year 1972=426,924; fiscal year 1974 anticipated level is 29,800.

The level of new commitments in fiscal year 1973 will drop by 62 percent from their originally anticipated level—500,800 units in the original fiscal year 1973 budget; 195,000 units in the adjusted budget.

Because there were housing units already committed to contract or approved before the January 5, 1973 freeze, there will be a continuing level of new construction starts in fiscal year 1974. While this fiscal year 1974 level only represents a slight reduction in construction starts from the anticipated fiscal year 1973 level, it represents a 27 percent reduction from the level of new housing starts in fiscal year 1972. Construction will drop off drastically in fiscal year 1975 because of no new commitments in fiscal year 1974—fiscal year 1974—232,400 projected; fiscal year 1973—259,100 originally anticipated; and fiscal year 1972—322,025 actual new starts.

The moratorium on new commitments will leave unused substantial amounts of existing contract authorization for the rent supplement, section 235, and 236 programs. The total for these three programs, $531.1 million, could produce some 485,000 new housing units for low- and moderate-income families.

All of this tends to make a mockery of the 10-year national housing goals established in 1968, and will by the end of fiscal year 1974 place our national housing effort some 45 percent behind schedule.

The President's decision not to spend these housing program funds and not use the contract authority available under the section 235 and

236 programs will have a profoundly adverse economic impact locally. Not making good on the anticipated new housing starts which would have been spread over fiscal years 1973, 1974, and 1975 will result in a loss locally of $7.5 billion in new housing construction activity, with a total economic impact, including related facilities and services, of $19.3 billion. We estimate the employment loss at 2.2 million man-years.

3. I have previously indicated our commitment to the concept of comprehensive community development and our support for legislation to provide a block grant in this regard.

The President's pronouncement would also indicate his concurrence with such an objective. What the President's action relative to the housing programs ignores is the fact that a significant part of the requirement for the effective use of the community development block grant will be predicated upon the local community's ability to address their housing needs.

In most major communities this will require the provision of low- and moderate-income housing. I am not referring solely to the absolute necessity for using such housing programs as relocation resources in order to facilitate efforts such as urban renewal. Rather, I am suggesting that the provision of housing for persons of all income levels, including low- and moderate-income, has become an integral part of the business of providing for the quality of urban life; a factor in industrial location; and part of the whole issue of comprehensive community development. We simply cannot meet our contemporary urban needs without the subsidized housing programs.

4. We acknowledge that some existing housing programs may not have functioned as well as they should have. In some areas we ourselves have pointed out the difficulties with them. One of the key issues, for example, which causes us problems has been the very minimum amount of impact we mayors have been able to exercise over the utilization of these programs, which at present depend primarily on the relationship between the developers and HUD.

Notwithstanding these problems, it would seem that the appropriate way for a civilized nation to conduct responsible government would be to not truncate these vital, but perhaps imperfect, existing programs until viable alternatives had been created.

We are prepared to support and participate actively in the development of legislation which would modify as necessary the federally assisted housing programs so that they might be of greater benefit to the people they were designed to serve—namely, the people of our cities.

IV. THE ISSUE OF THE IMPACT OF ALL THIS ON OUR NATIONAL URBAN POLICY

I would like to close my testimony with a brief caveat regarding the long-term consequences of what has been proposed by the administration and what we are proposing as it relates to our national urban policy.

I have been focusing on our immediate concerns over the budget slashes in the programs for housing, model cities, water and sewer,

parks and the like. These matters get our priority attention because they affect the immediate issue of our survival. But as mayors, we have become increasingly aware of the enormous consequences that other federal policies are having in undermining our efforts to restore and revitalize urban areas.

I will not presume further on the committee's time to discuss this point other than to say that we now realize that there is a wide but identifiable array of Federal policies beyond those we have been discussing, which taken together constitute an inadvertent national urban policy, a policy which in many instances is counterproductive to our community development efforts. Elements of this inadvertent policy include our national tax policy which both encourages depreciation of old center city structures and, aided by Federal housing policy, encourages home ownership in the suburbs. We now recognize that the impact of national monetary policy, patterns of military procurement, highway policy, welfare policy, et cetera, when taken together have had effects far more profound in terms of the contemporary design of urban American than have our specific urban programs. Therefore, as we attempt to deal with the budget crisis we have at hand, we will also be working to increase the public awareness of the nature of our inadvertent national urban policy, and to focus national attention on the need for Congress and the Executive to take remedial action to alter the harmful consequences of these existing policies.

Again, I would like to say that these matters are of great urgency to all of us because they have the effect of the immediate issue, really, of speaking to our survival.

So we, as mayors, become increasingly aware of the enormous consequences that other Federal policies are having in terms of undermining our efforts to restore and revitalize urban areas.

I appreciate this opportunity to present this testimony.

Senator MUSKIE. Thank you, Mayor Mineta, for some excellent testimony and very useful information.

Mayor LANDRIEU. Mr. Chairman, I don't mean to suggest any of the remaining speakers are less prominent or have less substance to contribute, but we are running a little longer than anticipated, and I am going to request they synopsize their presentation and present their formal presentation for the record, if they have one.[1]

I would like to have you to deviate further from your procedure to recognize Mayor Richard Hatcher, who has to leave very shortly.

Senator MUSKIE. We welcome Mayor Hatcher's testimony.

We are delighted to follow any course that you ask us to.

STATEMENT OF HON. RICHARD GORDON HATCHER, MAYOR OF GARY, IND.

Mayor HATCHER. Thank you very much.

Mr. Chairman and members of the committee. I would like to express my appreciation for the opportunity to testify this morning and certainly to express appreciation for the patience that this committee

[1] See prepared statements beginning on p. 53.

has already demonstrated and the courtesy extended to the mayors who are here.

Gary, Ind., is a city which in the last few years has become something of an urban laboratory. As such, we have aggressively sought Federal assistance and Federal funds. As a result of that, the effect of the President's budget will be crippling if, in fact, that budget is enacted.

We have been able to innovate a number of programs that presently have been adopted on a national basis. The annual arrangements program started in Gary, Ind. On the basis of existing programs and new programs we had anticipated in 1973 receiving approximately $30 million in categorical Federal moneys. That would include some $3 million which would have gone directly to our school system, which is in desperate straights, presently on the brink of bankruptcy.

As best we can estimate, the overall impact of the President's budgetary action will reduce that $30 million by more than $21 million, leaving us with less than $9 million to carry on the services that have been initiated. That is about 30 percent of what we had expected to receive.

I would like to tell this committee in human terms what that means to Gary, Ind.

First of all, we will be forced to eliminate or severely curtail the operation of our family health center. That center provides sorely needed health care for some 561 low-income families for whom such care is otherwise beyond their means. We will also cut the educational development of 86 3-year-olds in our child world of discovery program; 266 4-year-olds in our early learning center; 137 seventh and eighth graders who benefit from special attention provided them in our advancement school; and 134 high school dropouts who are now progressing through our Martin Luther King Academy.

Mr. Chairman, just last year we saw 43 young people who were high school dropouts, who society had given up on, we saw 43 of those young people graduate from this academy and out of that class of 43, 75 percent of them are going on to higher education in college. That program will be terminated if these cuts go through.

Our Latin American family education program, a highly successful venture benefiting our Spanish-speaking population, is seriously jeopardized. In the past year alone, it has taught "Survival English" to 208 adults and 388 children of Latin heritage.

We are faced with the prospect of slicing almost half our code enforcement program, which is geared to the improvement and stabiliza- of an ethnically mixed neighborhood composed of about 7,500 poor- to moderate-income level persons, including a high percentage of elderly persons. That program and its future now hangs in the balance.

The immediate future is equally bleak for some 5,000 poor young people, age 14 to 18 years, who were to have worked in our Neighborhood Youth Corps program this summer. We simply do not have employment alternatives for them in Gary.

We are faced with the termination of our public employment program which has provided jobs and real opportunities for nearly 500 unemployed persons and we moved some 215 of them out of that program into nonsubsidized permanent positions. Nearly one-third of the

persons in the PEP Program are Vietnam veterans, 80 to 90 percent of them will need further training in order to determine marketable job skills.

We will be forced to close down our loaves and fishes program, which in the past 9 months alone provided adequate meals to 3,153 low-income senior citizens. The same fate is in store for the agency's youth development program, which provided more than 60,000 lunches last summer for young people involved in our recreation and job-training projects.

We must also abandon plans for about 600 units of new housing because of the housing freeze.

Mr. Chairman, we have aggressively sought Federal funds and probably we have received more Federal money in the last 5 years than any other city of our size in the country. The losses that I just outlined to you are severe and in many ways they are tragic, but they are not as severe and not as tragic, perhaps, as the symbolic and psychological ramifications of the proposed Federal action.

Gary, Ind., in most ways epitomizes a medium-sized American city—sorely neglected in the past—which currently has a majority black population and combined black and Latin population which has been estimated as high as 65 percent. The national trend toward majority central city populations comprised of blacks and other minorities has been well documented.

Beyond that, Gary has taken on national significance in recent years as a center of black hope. It was one of the first two major American cities to elect black Mayors; it has become a focal point of sorts for black arts and culture; it was the site of the historic national black political convention; it is the continuing subject for study for scholars in black studies; it now has a black majority on its city council; it has the only black-owned cable television corporation in the Nation. We are justly proud of our city and our accomplishments in recent years in other areas and on the basis of other considerations, too. But it is a fact that Gary, Indiana, has become a focal point for the hopes and dreams and activities and achievements of black people in this Nation.

Our city is also on several counts at the crossroads of our revitalization effort.

So we have a city which in certain ways embodies black aspirations throughout this Nation, having scored certain breakthroughs and being on the threshold of more important ones. And at this very juncture comes this Federal Government with impoundments, housing moratoriums, proposed spending cutbacks, which are severe on all counts.

I understand as well as anyone that the climate in this Nation is such that it will be difficult to generate the moral outrage which this action merits. The cities are increasingly viewed from on high as repositories of the poor, the black, the Latin and the elderly—those who are relatively powerless against the interests of stronger and more affluent elements of our society.

But I realize, also, and I hope that the national administration and the Congress do, that as a moral and practical matter you cannot raise the expectation of the downtrodden in this Nation and then dash those expectations. In so doing, you are daring an already desperate

people, you are inviting them to abandon what little hope they may have in our system of laws; you are taking a reckless gamble with the stability of this Nation; you are inflaming and compounding the indignities which the have-nots have been systematically subjected to.

I rejoice with others that the war in Vietnam is at long last terminated. My fellow Mayors and I had hoped that this Nation would begin a long-deferred task of rebuilding our urban areas so that the promise of equality of opportunity could become a reality. My fellow Mayors and I had hoped to see this Nation's resources funneled into our cities where they belonged. My fellow Mayors and I had been told on numerous occasions that the Federal commitment to the cities would not be reduced, that revenue-sharing was not in lieu of existing categorical programs, that the Federal model cities program would be continued.

If the cuts that are in this budget are permitted, it would appear that we have simply ended one war and began another—that war on the residents of central cities throughout this Nation.

When the national administration decided to get out of Vietnam, it sent Mr. Kissinger to negotiate the terms. When it decided to get out of the cities and out of the poverty business, it sent no one; it simply got out.

We look to this subcommittee of the United States Senate and to the Congress as a whole to prevent this tragedy and to prevent an urban Vietnam before it becomes a reality.

Thank you.

[See prepared statement of Mayor Hatcher, p. 59.]

Senator MUSKIE. Thank you very much, Mayor Hatcher.

Incidentally, because it will be some time before the hearing's record is published, because I think the statements are so good and ought to be brought to the attention of the country as a whole as quickly as possible, I am going to ask that they be inserted in the Congressional Record today. I think they have valuable information for anyone who seeks to get the Mayors' perspective on these budget actions.

Mayor LANDRIEU. Thank you, Mr. Chairman.

I understand that Mayor Alioto has to leave very shortly, too.

Any other member of the committee have to leave to catch a plane?

I wonder if I could not ask the Chairman to further deviate from the regularly scheduled presentation to recognize Mayor Joseph Alioto of San Francisco, Calif.

I am hoping that we will be able to leave enough time to respond to your questions.

Senator MUSKIE. I may say, you are anticipating a lot of questions with his testimony.

STATEMENT OF HON. JOSEPH L. ALIOTO, MAYOR OF SAN FRANCISCO, CALIF.

Mayor ALIOTO. Let me try to put this in a nutshell and I will file my prepared statement. Let me save the time for the other distinguished Mayors who have a good deal to say.

Unless you folks frustrate the kind of reckless assumption that we have in this budget proposal, I am going to go back to San Francisco

and tell them on July 1, 2,111, men and women are going to be fired. And any myths that the free enterprise system is going to pick them up is just that, it is a myth. It is almost a sham. Listen to some of this conversation.

I am also going to tell them that San Francisco is going to get $48 million less in the year beginning July 1, 1973, than it got in the preceding year. And it is going to get $78 million less than it should have, based on the on-going programs that are now committed; $78 million less. That was going to happen.

I documented this in detail and I will file it with you, so we won't go through the statistics. But at the same time, there are a couple of Mayors who are going to give much better news to their people. The Mayor of Hanoi and the Mayor of Haiphong, they are going to tell their people they have a commitment for $7.5 billion, a commitment they may already have without consultation with Congress.

Now, we happen to be internationalists in San Francisco. The United Nations was born in my hometown. But even as internationalists, we can't believe that North Vietnam deserves no superpriority over the American cities. The Indo-China aid policy might be correct, but it doesn't take precedence over the completion of the rebuilding of New York, Chicago, Houston, and San Francisco, and all of the cities represented around this table. It simply doesn't. And any course of conduct which says we are going to rebuild the North Vietnamese cities and abandon the American cities—and that is what this budget does—any course of conduct is just moral bankruptcy, no matter how internationally minded we may be.

Now, this is all being justified on the theory there is waste in the city programs. Of course, there is waste in the city programs. There is waste in the Defense programs, too, and to put this in perspective, in the farm program and in the transportation program, and in the space program. And there isn't any doubt, and perhaps in some of the congressional programs. I dont' know.

Senator MUSKIE. I suspect that is true.

Mayor ALIOTO. Certainly; some in the city programs. All right. All we are suggesting is you don't get rid of waste—you don't amputate an arm because of a sore on it. Or maybe a more apt analogy is, you don't cure dandruff with the guillotine. People might think that represents overkill. You don't look at it that way.

This is precisely what is being done. Precisely what is being done. So we aren't against economy. Don't put us in that role. We squeezed our city situations because we had to, just because of lack of money.

All of this is being talked about because we have to have a ceiling result. We don't argue about that. Some of us have already imposed ceilings upon ourselves. What we are arguing about is the Congress of the United States has something to say about the priorities as they are set below that ceiling. That is all we are arguing about. And we think Congress ought to assert itself in connection with its constitutional right to say something about those priorities before this, as I say, this reckless budget is put into effect.

In that connection, the matter of impoundment is important to us. We are being hit on all sides and we are supporting the Congress in its efforts to take away from the President that arrogation of unconsti-

tutional right that he has assumed in saying, "I won't spend what the Congress directs that I spend." We are supporting litigation and we would like to support them more importantly in the Halls of Congress where some of us think you are not so powerless, not so powerless to defend yourselves against that arrogation.

All of this, too, is being framed on the theory that this budget represents a "work ethic" as against a "welfare ethic." We haven't any argument about work. We work pretty hard. We believe in the "work ethic." But we also believe in something we call the "Christian ethic," too. And that directs us to take care of poor people or those who simply are the victims of a system that cannot accommodate their legitimate claims, even though they are anxious to get those claims accommodated.

The "Judaic Christian ethic," as well.

There is no sense trying to set this country apart by saying there are those who believe in the "work ethic" over here, and people who believe in the "welfare ethic" over there. I am for the middle ground that asks we be compassionate against those who cannot help themselves or who it helps, helps initially to work things out.

This is a devastating thing and it is made a little more devastating and let me conclude on another thing. In his budget, when he asked the Congress to accept this new budget, he says this budget has policies recognizing a pragmatic rededication to social compassion and national allegiance. Those of us who know the reality of things, this is kind of bitter ice for those who need nutrition. The pragmatic reality is, it shows little dedication to American cities and even less compassion to its people, and we are relying upon Congress to set this thing straight. You are the last hope we have in this area. This is why we are going to spend a lot of time on it.

[See prepared statement of Mayor Alioto, p. 63.]

Senator MUSKIE. Thank you, Mr. Mayor. You ought to rely more on the ad lib and less on the written page.

Mayor LANDRIEU. Thank you very much.

Now, Mr. Chairman, I request you recognize for a statement on manpower and employment programs, Mayor Patricia Sheehan of New Brunswick, N.J., and Mayor Cmich of Canton, Ohio, cochairmen of the U.S. Conference of Mayors Human Resources Committee.

First, Mayor Pat Sheehan.

Senator MUSKIE. Mayor Sheehan, I thought the women were going to get the last word this morning.

STATEMENT OF HON. PATRICIA SHEEHAN, MAYOR OF NEW BRUNSWICK, N.J.

Mayor SHEEHAN. Mr. Chairman, members of the committee.

I am mayor of New Brunswick, N.J., and personally, I take it as an opportunity and appreciate the privilege of speaking here.

This is the first time I have spoken before a committee. I think I have a willing and anxious helper in the person of our two State Senators from New Jersey, Senator Case and Senator Williams, but a committee experience is a new one for me and I hope I can make the point clearly.

My city is a very small city. In fact, in relation to most of the mayors that have spoken here this morning, it really represents only one neighborhood in relation to Detroit or New York, Los Angeles, or San Francisco. But the point is, it is a neighborhood with people and problems and a center city.

I serve as cochairman on the Mayors Committee on Human Resources, and I will discuss with you just one of the programs, very briefly, that have significance to us; namely, the public service employment program.

The budget proposed by the administration for fiscal year 1974 makes no request for a continuation of the Emergency Employment Act of 1971. It proposes the full $2.25 billion authorized for fiscal 1972 and 1973 be appropriated and spent; however, the remaining funds will be used to phase out the program to fiscal 1974. This is an extended period for phasing out the program, but we recognize that the program is in fact over and the jobs are being eliminated. The administration has made that very clear to us. What is also very clear to us is that there is no alternative offered to help meet the public service needs of State and local government. Needs that cannot be financed particularly in the case of the cities from locally raised and, most particularly, from local property taxes.

Further, we are inclined to have a double burden, perhaps with reference to the economic and logistic Senator Roth referred to earlier, in that the freeze deprives us of those jobs we now have. Where there is an opportunity to take the person who is employed under this program and make the transition into permanent employment, the cities can't afford to do so, because by so doing they use the slot they now have at this moment instead of months in the future.

To date, 234,000 people have worked in some 181,000 jobs created under this program. The impact of the elimination effect is staggering. Very simply, 181,000 jobs which existed this year, will be gone next year. And the question that we all must answer is, what will happen to these people that are thrown into areas where there is already a high unemployment program. Or lack of program, I should say.

Over 50 percent of the participants in the program are members of the minority groups; over 40 percent are disadvantaged; 40 percent primarily are Vietnam veterans. Twenty-five percent are under age 22; 25 percent have less than a high school education. These are not the characteristics of the readily employed in the private labor market.

What will be the impact on public services? Every mayor here today can document the toll that will be taken in his city. My colleague, Mayor Cmich, who was able to maintain a viable municipal transit system which, without PEP, would have closed. In Shreveport, part of the fire department personnel improved the city's insurance rating, which resulted in a $20 annual saving on insurance premiums for each and every homeowner.

In Denver, the response time for emergency medical services was cut in half. In Rochester, PEP's elimination will result in the closing of six recreation centers and will wipe out the 40-percent increases in maintenance and repair of municipal property.

In my own city of New Brunswick, what was to us a small fortune by being able to hire a man who could, in fact, repair trucks. We were

able to put more uniformed policemen on the street by hiring civilian dispatchers to take over their duties, and we were able to fill out what had been long- and short-term public works crews in the cleaning of streets and the repairing of potholes.

These are just a few of the examples of expanded public service which PEP has made possible.

In many other instances, cities were able to continue existing services which otherwise would have been cut without these PEP funds. Further, many cities use their PEP allocations to provide new or long-needed and often postponed public services. Drug abuse and rehabilitation clinics were initiated in Jersey City, Honolulu, Long Beach, Duluth, and Hayward, Calif., among others.

Environmental protection programs were initiated, such as recycling centers, riverbank stabilization, conduct of environmental impact studies, emissions inventories, and pollution surveillance and compliance units. Consumer affairs units, programs for the elderly, paramedical services, security guards for housing and educational facilities—all of these were among the innovative and new programs which PEP enabled cities to undertake.

I might add at that point, many of these programs are programs the mayors are well able to think of if they could only have the opportunity to implement them, and I think our usage of the PEP funds have demonstrated that clearly.

The legitimate demand for increased public service is a constant factor in our cities. We find people paying more and more and getting less and less. Every study conducted in the last 7 years, including a survey undertaken recently by the Senate Subcommittee on Employment, Manpower and Poverty, reveals that States and local governments could effectively use three to five times the number of employees that are now employed under PEP. And PEP's implementation has proven that the use of the word "effective" is valid.

The administration has extolled their support in the "work ethic." As Mayor Alioto indicated, the mayors work hard, too, and we believe in work as well. But the administration has also indicated their intention of abolishing ineffective or unworkable programs. And yet, here we see a program which provides jobs, provides jobs that provide necessary service, not make-work jobs, has been demonstrated to be effective, and is still singled out for termination.

The leaf-breaking argument has been dispelled by our experience over this past year and a half. That has provided employment opportunity for a broad spectrum of the people, who for one reason or another are unable to find employment. The aerial space engineer, the hard-core unemployed, and the cities alike have benefited from this program; and, in fact, the residents of our cities through the services provided by this employment program have benefited, as well.

So, Mr. Chairman, we plead this program not be allowed to terminate.

Senator Muskie. Thank you very much for your testimony.

Mayor Landrieu. Mayor Cmich.

STATEMENT OF HON. STANLEY A. CMICH, MAYOR OF CANTON, OHIO

Mayor CMICH. Mr. Chairman, members of the subcommittee. I am Stanley Cmich, mayor of Canton, Ohio.

One of the most important issues considered by the Conference of Mayors, the Human Resource Committee, of which I am a cochairman, is the manpower program. It is on this subject that both my colleague, Mayor Sheehan, and I, wish to address today.

The administration's fiscal year 1974 budget proposes a restructuring of Federal support for job creation and manpower training services. The impact of this restructuring is reflected by the proposed transfer of authority to State and local government, of manpower programs.

In simple terms, the administration's budget proposed to eliminate more than 50 percent of the funds now available for job creation and manpower training.

For example, it proposes a phaseout of the public employment program, and it proposes to reduce Federal funds for training services.

In the interest of time, we are going to submit for the record a detailed statement on the proposed budget.[1] But for a moment, I would like to express our concern regarding summer youth programs.

Any specific reference to the summer program such as Neigborhood Youth Corps is absent from the language. Many cities have relied heavily on this and have had good success, including our city. In our city alone, we had 20 Neighborhood Youth Corps participating and are now in permanent city positions, not labor, positions of skill.

The budget called on the city to decide between taking over programs which may be reduced in funding, or possibly use PEP funds if some are made available for summer employment, as was the case in some instances last summer.

May I say a bit more on the matter of summer jobs. Last summer, appropriations provided 740,000 9-week jobs for young people, mostly disadvantaged youth, in the recreational and cultural programs, which have served over 2 million young people throughout the cities of this Nation.

Transportation was available to another million young people to take advantage of both jobs and recreational activities. Neighborhood Corps have been the single largest youth employment program available in the summer. The need is even greater now.

We are submitting a survey documenting the need for slightly more than a million jobs this summer. This survey represents effective needs and is on the conservative side. Despite the record Neighborhood Corps effort, many young people will still not find work. Many are not old enough to work. Thus, a variety of additional services must be provided.

In partnership with the cities, the Federal Government has provided these services through recreation support and summer youth transpor-

[1] See U.S. Conference of Mayors' statement on manpower programs, p. 371.

tation. They have been successful. And the increased need for continuing this type of approach to our needs has been documented.

I would be remiss at closing if I did not extend a word of appreciation to Senator Javits for his annual leadership supporting this program. I will submit to your committee a documented report.

Senator MUSKIE. Thank you very much, Mr. Mayor.

Mayor LANDRIEU. Thank you.

We have only two speakers left and save two of our better looking Mayors.

Senator MUSKIE. Are they running this year?

Mayor LANDRIEU. I think so, if their constituencies are lucky enough to get them to resubmit themselves.

First, Mayor Uhlman of Seattle.

STATEMENT OF HON. WESLEY C. UHLMAN, MAYOR OF SEATTLE, WASH.

Mayor UHLMAN. Thank you very much, Senator Muskie and members of the committee. I, too, will file my formal statement with the committee for the record.

[See prepared statement of Mayor Uhlman, p. 65.]

Mayor UHLMAN. It is impossible, really, to soften the gravity of the crisis before us. The proposed executive budget for 1974 proposes the most direct and serious threat to the life of Seattle and its people that one can imagine. This is not rhetoric, it is not an exaggeration, it is fact.

The figures speak very plainly for themselves, and let me give them quickly and briefly.

The Presidential impoundments and the proposed executive budget represent a loss of $97.8 million in projects serving Seattle. In terms of 1972 funding levels for programs directly administered by the city government, over $25 million would be lost and another $52 million placed in jeopardy. Under this budget, the city government could lose a sum equal to its general fund for 1973, well over half of the Federal funding it is currently receiving.

These are musty-duty kinds of figures, perhaps, and they don't really mean too much, perhaps, to persons removed from the scene in the city of Seattle. But let me tell you, when people hurt in our cities, in any one of our cities, they come to us. And when they hurt physically or spiritually, they come to our office to tell us of their hurt.

In Seattle, when an aging blind man will no longer be able to get a new braille book under the President's budget and has to go back to loneliness and despair, he will come to my office or other mayors' offices across the country.

And the poor mother who is finally off welfare and on a job in my city and other cities, the President's budget means no more day care facilities for her children and she goes back on welfare; she comes into our office.

The youngster who dropped out of school, if the President's budget means no possibility of a job in the summer, he will come to my office and to the other mayors' offices here. It is too far to come 2,000 miles to Washington, D.C.

The elderly person who is unable to leave his room, can't cook for himself, no longer will he have a social worker or a lay person come in to help him cook his meal; we will hear about it in our office.

Or the Indian family. There is a very large population in this city of Seattle. The President's budget will mean no Public Health Service hospital to care for an emergency. He goes back to the very precarious existence in the shadows of white society which has shown for many years it doesn't care. Then he comes up to my office and the other offices of mayors.

For all of the people in Seattle's inner city, the President's budget on "new federalism," as we had it expressed to us, really means an end to the progress we have seen in our city for 5 years.

For the city's minorities, it means the end of programs which have recruited and trained them for jobs in city government. We have raised minority employment from 3 percent to 13 percent in the last 3 years through the use of these funds.

Really, I suppose, we are talking about the whole issue of new federalism. I can only say I am reacting to it with a great deal of confusion and dismay, really. I don't understand what is being proposed here.

Most of us in this room have applauded the President's notion, the general concept of new federalism. We believe indeed the transfer of responsibility is welcome to us, that indeed the bureaucracy oftentimes is unaccountable to individual citizens, should be made more creative, and it can be made more creative to us who are closer to the problems. And, thus, of course, we have enthusiastically supported revenue sharing, general revenue sharing, and we appeared before you and others in the Senate and the House. But it hasn't turned out to be the savior that we originally anticipated it would be.

In fact, I suppose we can say it is a great deal like a trojan horse that has been left to us, not filled with enemy soldiers in this instance, but indeed the broken promises with program freezes and lopsided funding formulae, with broken promises and cynical pretexts, and with an Executive budget that will spell disaster for American cities.

I got on the plane just before midnight this morning to come here to appear before you. Just before then I spoke to a large group of citizens in our city who were concerned about this. I told them, "Don't despair, this isn't the end, because, thank God, we still have the Congress." I say that is our view today.

Senator MUSKIE. Thank you very much.

STATEMENT OF HON. PETER F. FLAHERTY, MAYOR OF PITTSBURGH, PA.

Mayor FLAHERTY. Senator Muskie and Senator Roth, I am really here, I suppose, to give the benediction, since I am the last speaker.

I think most of the issues have been well-traveled this morning from my colleagues from all over the country, the concern they have expressed to you about the impact of the elimination of many of these Federal grant programs. I suppose most of their concern is based upon the fact that they do not know what is going to happen and are asked many questions back home.

I, too, readily can understand the problem of your committee, the problem of the President, the problem of the Congress. As has been already pointed out, we recognize that all of the Federal programs have not worked as effectively as we would liked to have seen them work. For some of them, the time has passed. If they didn't work in the beginning, their time has come.

I support responsible fiscal evaluation of the programs, just as I am sure this committee and Congress will give it. We have to recognize however, that the burden simply cannot be shifted with these programs. Whatever ones are to be cut, the burden cannot be then shifted to the cities. What we are concerned with is, we don't have the revenue, we don't have the reserves, we don't have the resources to pick up the Federal grant programs.

Then, too, general revenue sharing, as has been already stated so clearly, was never intended for picking up the Federal grant programs. It was projected more for the aid to the utilitarian aspects and practical aspects of public safety and the other specific categories that were mentioned in the General Revenue Sharing Act.

I would hope both the President and the Congress, in analyzing these programs would do so with the remarks of my colleagues in mind, with the recognition that there are programs that are effective, that are still meaningful, and those that are wasteful we recognize should be eliminated.

Thank you.

Senator MUSKIE. Thank you very much.

Mayor LANDRIEU. Mr. Chairman, that concludes our direct presentation. I am sure any member of the committee will welcome questions from Senator Roth and other committee members.

Senator MUSKIE. May I at this point just make a few observations and then I am going to yield to Senator Roth for such questions as he may have.

First of all, I think you told your story extremely well. And as I said earlier, I will put that story in the Record this afternoon, so that all Members of Congress have it available immediately as we get into this session.

Second, I think you anticipated a lot of my questions and you might indulge in a lot of questions that would simply produce repetitious responses. But I think the net impact of what you said this morning should be summarized, and I would like to suggest several points.

First of all, the issue raised by the President's budget is not one of budgetary restraint. Second, it is not the question of whether or not we should have a national budget ceiling.

The question, as your testimony so well dramatizes, is one of priorities. It is essential, I think, that we get the kind of repetitious detail that you have given us, because the impact of these budget cuts and these freezes and impoundments is upon individual human beings. You don't get that impression unless you get the repetition of documents over and over again, the kind of human impact you are going to feel in your communities.

So I hope that this picture of priorities as being the real issue goes out from this hearing this morning to the country.

The President's budget is not the only alternative that offers budgetary restraint. The President's budget isn't the only alternative that offers us a budget ceiling. The President's budget is the only alternative available to us that cuts so deeply into human programs across this country. And it is that impact the we have to understand before the Congress can generate the kind of political support across the country necessary to counter the President's initiatives.

I think that is where we stand at this point and I think in those terms you have told your story well.

May I at this point yield to Senator Roth. I may have a few questions after Senator Roth has put his, but he may anticipate mine, also.

Senator ROTH. Thank you, Mr. Chairman.

I am going to be relatively brief, too. The hour is late.

I would like to stress my appreciation, as well, for the mayors coming here. I might point out that, unfortunately, we used to have a mayor from the city of Wilmington, Del., who was very active in your organization, and I am sure you miss his wise counseling as much as I do.

But if I might just make an addendum to what the distinguished chairman has said. I think another point that has come out pretty clearly—and I would like to make certain I am correct on this—is that as a group you do strongly favor the consolidation of programs, the attempt to get away from the hundreds of small categorical grants and move in the direction of—whether you call it—special revenue sharing or block grants. That is the basic position of your organization; is that or is that not correct?

Mayor MINETA. That is correct.

Senator ROTH. Let me ask you this question. You did make some specific comments——

Mayor MAIER. Senator Roth, may I comment on that? I don't think that you can assume any longer that this is the mayors' categorical position. I think that there are a great many questions raised now about the position of special revenue that weren't raised previously. If any sense is correct, I think on this particular committee that there is now far from a firm position for special revenue sharing, because we just don't know what we are going to get in that kind of a package.

I think, to the contrary, there were some sharp expressions from some of the mayors at more recent meetings, indicating that our position on that is no longer as firm as it was yesterday. And speaking for myself, I can certainly say I would—as well as the mayor said here, I think it was Mayor Hatcher—I would rather fight than switch under the present circumstances.

Senator ROTH. I was going to make a request. Let me ask you this question in light of your comment. I realize nobody wants to buy a pig in a poke and no one specifically knows exactly what the four special revenue sharings are going to include. But as a general approach, assuming that we are talking about the same amount of money, so that we are not talking about the budgetary problem, which much of your testimony has been directed to. Assuming we are talking about the same funds, is it or is it not your desire to have more flexibility at the local level as to how those funds should be used?

Mayor MAIER. I can say this has been our position in the past. Plus, remember this, when we approached the present situation, Mr. Roth, we contemplated the kind of horrible cuts we are contemplating, some of us reevaluated very quickly, because there is no uniform packet throughout the country of administration in relationship to categorical aid.

For instance, in one great city of this country, the mayor does administer those programs in general in consultation with citizen groups. So, in model cities, we have varied programs throughout the country.

I believe, for instance, the mayor of Detroit who testified earlier has relatively less control and less of a voice in model cities than does, say, the mayor of some other city, like Milwaukee or Chicago, or some of the other cities throughout the country.

So this is all a matter of degree. Mayors can certainly live with the current situation.

Mayor MINETA. Mr. Roth, could I expand on just one point here? As the chairman of the community development committee for the U.S. Conference of Mayors, our position is that grant consolidation is a thing that we would still endorse. This is our objective. This is our program originally. It still is, as long as the grant consolidation addresses the needs of our communities. And what we are talking about especially in the funding level, those consolidated programs are not lessened, because we are still talking about addressing the priorities, the national priorities, in terms of some of the specific programs.

I think, as a concept, we are still endorsing the community development block grants and this is to get away from the myriad of pots, of specific categories that are narrow, without the interconnecting programmatic link. And this is the thing we want to address ourselves to, to have this kind of grant consolidation.

Mayor LANDRIEU. Senator, not only does the U.S. Conference of Mayors support the concept, I think I can say with some safety we initiated block grant consolidation. It is a program of the U.S. Conference and National League of Cities. We were the first supporters and originators of general revenue sharing. Obviously, we couldn't implement it; that took Congress and the President to do that.

Of course, we favor it. I think what you have seen here is a group of mayors who have a significant input in the U.S. Conference and National League of Cities becoming a little more cautious after our experience with general revenue sharing. This committee does not have the authority to change the policy that has been established by the U.S. Conference, which policy is we actively support the consolidation in the block grant concept and that position has not changed because the U.S. Conference won't meet again until this June.

But what you are seeing is a reflection of men who are very active in that association who are becoming a little more cautious about acceptance of that program until they know where it is going.

Senator MUSKIE. Senator Roth is kind enough to yield to me a moment so I might pursue this thought a little.

I have been for grant consolidation a long time, as many of you know, to give the President consolidation authority subject to veto of Congress.

But I understand you to find wanting in the President's proposal two elements that are essential and responsible to program consolidation. One, rationalization of component elements, so that when you have put your program together you know it relates to your needs. You have worked at this very carefully in your community urban development block grant approach.

And, second, you need provision for an adequate period of transition which is lacking in the President's approach.

What the President appears to be doing—I guess we ought to reserve final judgment until we see details of the special revenue sharing program—is simply to label four program areas as special revenue sharing. We don't know how he has constituted them. The net effect seems to be a sharp reduction in funding and the net effect seems to be a failure to provide for the transition.

But there is another question I would like to put to the mayors on this point and then I will return the questioning to Senator Roth.

It seems to me that what is at issue here is not consolidation or the elimination of redtape, both of which I think everyone involved here is committed to. The issue is whether or not we are going to make a commitment to solving the problems you have described here this morning. And if a program—whether it is special revenue sharing or grant consolidation or a categorical grant—does not represent a commitment to solving problems, then you are not for it.

Mayor Mineta. That is correct, Mr. Chairman. Again, I would like to elaborate on that.

We don't want to just take funds and spread them around. I think what we are still talking about is the need in the communities, and those needs are also in relationship to the national priorities that are established by legislative guidelines. So it is not just a formula that we want to have x-number of dollars spread throughout the cities, because the cities, if they don't exhibit the need, shouldn't be getting them. They shouldn't be getting funds just on a formula basis because there are cities that don't have the funds that are represented by cities that have testified here, for instance, today.

So the block grants relays the consolidation, consolidation concept, based on an application, based on the development of a community for comprehensive development plan, so that there are programmatic links, those specific programs within community development, again addressing themselves to local needs, again addressing them to national priorities.

Senator Muskie. There is one other point that I think you brought out here. It is covered implicitly in the story that appeared in this morning's New York Times by Bill Kovach, and I would like to include that story in the record at this point, if I may.

[The article referred to above, follows:]

[From the New York Times, Feb. 21, 1973]

Revenue Sharing Assailed As Going to Wrong Places

(By Bill Kovach)

Washington, February 20.—Some local officials who greeted the first influx of Federal revenue-sharing funds with enthusiasm are now complaining that the money is going to the wrong places.

A recent survey of state and local governments disclosed that in a number of cases the general revenue-sharing funds had been diverted, probably inadvertently, to governmental units that exist mainly on paper and thus have little or no power to provide the essential services that revenue sharing was intended to pay for.

In Indianapolis, for example, local officials who direct a merged city-county government are saying that $1-million of a total allocation of $12-million has been directed to the county's townships, which have virtually no power to tax or spend.

Similarly, Gov. Francis W. Sargent of Massachusetts has complained that $6.5-million of his state's allocation has been diverted away from cities and towns to county governments, which, under Massachusetts law, have little taxing authority or responsibility to provide services.

OFFICE GETS CRITICISMS

These and other criticisms have been lodged with the Treasury Department's office of Revenue Sharing, which is empowered to hear such complaints and make adjustments.

A number of state and local officials have challenged the amounts of money allocated to specific states and cities and the way in which the Administration calculated those allocations.

The early experiences of Mayors, Governors and other officials with revenue sharing will be the subject of hearings that are scheduled to open tomorrow in the Senate Subcommittee on Intergovernmental Relations, of which Senator Edmund S. Muskie is chairman.

One of the main purposes of the hearings will be to make a preliminary assessment of how general revenue sharing is working before Mr. Nixon resubmits for Congressional consideration a batch of special revenue-sharing bills designed to replace many of the programs of the New Deal and Great Society.

Although most of the $.2-billion in general revenue sharing has been allocated for 1972—one third to state governments and two-thirds to local governments—Washington has only a dim picture of how the money is being spent and what impact it is having.

STRUCTURE RE-EXAMINED

According to the New York Times survey, one of the major if unexpected effects of the burst of fresh money has been to reawaken officials to the sheer complexity of local government and to force them to re-examine its structure.

"Revenue sharing may turn out to be a national civics lesson," said Mayor Richard W. Lugar of Indianapolis, "in the sense that it brings to the fore the structural difficulties of state and local governments."

Mr. Lugar has filed his own complaint with the Treasury Department, but he is not concerned about the ultimate outcome.

"Rather than going to the ramparts or wringing our hands, we've filed our complaints and they have been duly noted. The Treasury Department had no reason to know of these local situations, and I assume once they are pointed out they will be corrected," he said.

The Muskie hearings will, of course, cover other problems that have emerged in the early experience with revenue sharing.

There is some concern, for example, that infusions of Federal money to moribund local governments may not necessarily be a good thing.

Students of local government in such organizations as the National League of Cities and the Urban Institution fear revenue sharing may deter the present movement toward consolidating local governments to eliminate costly intergovernmental competition.

The lure of block grants of Federal money in this view, will encourage communities surrounding urban areas to incorporate and establish independent governments competing with their neighbors and raising new hurdles to regional planning and programs.

DECISIONS NOT MADE

Perhaps of more concern to some members of Congress has been the apparent reluctance of cities and states to invest revenue-sharing money in new programs with social impact. Although information is fragmentary, the indications are

that state and local officials see revenue sharing as a windfall to be used for reducing local taxes or finance construction projects.

One reason that information is fragmentary is that final decisions have yet to be made on how the money is to be allocated. On the state level, legislative action is needed to budget the money, and in many cases that will not be completed until May or June. A survey by the Council of State Governments indicated that at least 11 states proposed to use their share of the money for tax relief.

Other surveys indicate a similar trend among city and town governments. Some cities plan to use their money to build stadiums, golf courses or tennis courts.

Senator Muskie noted this in a recent speech to local-government officials.

"The fact remains," Senator Muskie said, "that few local authorities chose freely to put their first general revenue-sharing distributions into improved health care, into antipoverty programs, into equalizing opportunities for the less privileged, into problems which, left unsolved, spread far beyond any local boundaries."

OFFICIALS SUSPICIOUS

Some of this is inherent in the law, which forbids spending revenue-sharing money for educational programs or for matching other Federal grants, but much of it stems from suspicion of Federal grant programs.

An informal survey of state governments conducted last year by The New York Times indicated a growing reluctance to participate in Federal programs because, as one Governor said, "The Federal money comes just long enough to get you hooked on a program, and then they pull out and leave it to you to finance the whole thing."

The general revenue-sharing program, unless extended by Congress, will expire in five years, and most officials are afraid to bet against the future. As a result, most of them are dumping their money into one-time projects, such as buildings, or into current operational expenses, thus allowing reductions in local taxes.

Senator Muskie. There is a point about categorical grants I think we tend to overlook. I know I have, but it is implicit in the story. And that is, that applications for categorical grants tend to be a measure of need. When you substitute grant consolidation or special revenue sharing for them, that simply pushes dollars out into the field, and you are not sure the dollars are being pushed out in response to the needs where they exist.

And this is why I think it is so important to have a grant consolidation program constructed in a way that insures that the money that goes out actually responds to needs where they exist.

Mayor Uhlman, you might like to respond.

Mayor Uhlman. Yes, I would. I think it is very important, the point we made, the money get to the place where it is needed the most. For example, in the city of Seattle, the majority of the older people live inside the city. They moved into the city because that is where the medical facilities, public transportation, where all of the various social facilities are. They don't exist in the suburbs.

When a person gets old and raises his family, he moves in the city where the social amenities exist. Therefore, that is where the money ought to go that does provide for the care and services for older people.

Unfortunately, I think this is one very substantial caveat I would certainly like to raise at this point before I would state categorically I am for grant consolidation, and that is indeed that the money follow to the situs of where the problem is and if, indeed, most of the older citizens do live in the cities, then that is where the money ought to go to try to solve the problems of older citizens.

The same thing is true of poor people. The cities, particularly larger great cities over the country, have more poor people, they have more problems that relate to poor people and minorities. Therefore, the

moneys to solve this problem must indeed find their way through the labyrinth of the State which is often a very hostile thing and then on to the labyrinth of the county which is oftentimes unfeeling, into the city itself where the problem really is. I think that is a very important point that must be made if this legislation comes through the Congress.

Senator MUSKIE. Thank you.

Mayor Maier.

Mayor MAIER. I would like to make one point that I think is responsive to Mr. Roth's question. I think it certainly is a very proper question.

Mr. Chairman, you are probably more familiar with Model Cities legislation than anyone in the Congress of the United States. It certainly is our belief you have probably worked harder on that particular piece of legislation. It is noteworthy and I think it certainly could be validated without appearing too deeply, the Model Cities, which is in essence a block grant program, is the first to go down the drain.

Now, tied in with this, Mr. Chairman, is the fact that the categorical aid, so-called, and model cities, were attempts to construct a national urban policy. I don't think the mayors, in the interest of getting block grants, would subscribe to an idea that this would be a device to pull the rug from a national urban policy.

Mr. Chairman, because of your particular background and aptitudes in this field, I hope you take a very serious look at this whole proposition that we are getting, because apparently it is being prepared as a proposition simply to administer at the local level and that this is the emphasis that we must improve administration by shoving these matters down for local discretion.

Now, this certainly cannot add up to another proposition other than that the national policy will then be one of complete abdication of any kind of national urban policy. We have fought for a long time, and so have you, Mr. Chairman, to get what little increments we have right now of a national urban policy, but this thing is just in an embryonic stage, and in an embryonic stage I think it is going to be nothing short of a long-term national disaster if the Federal Government abandons any kind of contour of a national urban posture.

Thank you, Mr. Chairman.

Senator MUSKIE. I appreciate Senator Roth's patience and I will turn the questioning back to him.

Senator ROTH. I would like to go back a little bit to an earlier line of questioning. I was not raising a question of commitment or question of the funds. Back to my hypotheses, which was we would spend the same amount of money and how do we get it, I think that is our real problem if you really want to get down to it. That is the real purpose of these meetings we are holding today. How do we get those funds into the city in the manner they will do the most good.

I would submit that the questionnaire that has been sent out by this committee and the studies that I have made myself in my own office have shown the great complexity that has arisen from the categorical grant. Also that we are placing funds in areas sometimes that aren't the highest priority and also frustrating of the local electorate officials. But I am not interesting in making an indictment. What I am interested in is trying to find out what you people think of how we can

improve this delivery of service; not lessen the commitment, but improve the service. For that reason, I wanted to compliment you on your committee work. I haven't had a chance to study your proposals, but as I understand, you have in your basic speech some of the factors you think ought to be involved. And that was what I was seeking before we got on the other line of questioning.

We have four revenue sharing proposals by the President. Maybe there ought to be six or maybe there ought to be three. I think this is something you can be helpful with in the future when the President's proposals come forward. We have to get down to the nitty-gritty. It is all very well to talk generalities but if we make the programs work, if we are going to move in the direction of the broad block grants, can they be made more effective? That is the plea I am making.

I would like to ask one question. Recently, I say about 2 years ago, we went in the direction of Federal regional councils, which was an effort to delegate away from Washington, a little bit closer to your own areas, responsibility for administering these programs of categorical grants. I would like to know if these regional councils are improving the administration, or if you have any comment pro or con as to how they are actually operating.

Mayor UHLMAN. Senator, I am on the board of national association of councils, and also have just completed serving as the president of our four-county regional council. And thus I have been wearing both hats as mayor and also as an active board member of our regional council.

I would say there is some division of opinion among the mayors, particularly in larger cities. I can speak only for myself and say our regional council operates very well, very harmoniously. We indeed do have land-use planning for the first time in our four-county area. We are indeed able to take a much larger look at such things as regional ports, and these kinds of concepts, which of necessity we must have some times. Just commonsense tells us that and those persons who are fighting the concept are fighting the inevitable, in my opinion.

It is indeed a matter of cooperation. However, we just adopted last year a finding that interim regional land-use development plan we have in force is against those developers who have been coming to misuse portions of our area. Also, just this last year, we have done something I think is incredibly important, in fact essential to the importance of whether or not a regional council will operate, and that is to vote and adopt regulations and rules which permit the same theory. And proportion of representation in the courts so that a very small jurisdiction does not monopolize our work. I know some do not.

Mayor MINETA. Senator Roth, if I might answer relative to the 10 regional councils. I think they probably vary from one area to another relative to the form of standards. My personal experience in the San Francisco region nine area is that it has been working very effectively. We are able to get decisions, we are able to get calls a lot sooner. I think, again, the constriction of funding, narrowness of categorical programs, is the thing that hampers even the Federal regional councils in their full ability to disseminate information, as well as give us the kinds of things that we need in the local community to address the needs of our cities.

Mayor UHLMAN. I misunderstood your question. I thought you were talking about the regional councils, not Federal regional council. Talking about the cost.

Senator MUSKIE. The regional council of government.

Mayor CMICH. I would like to just take a minute to say that I think we fully realize that the grant consolidation with application form of concept is going to be so complex, it is going to take much time. We are running out of time, and I think down the line here pretty soon that suggestion was made that we have an eyeball-to-eyeball discussion with the administration, with the Governors represented by their group, and the legislative body and have an eyeball-to-eyeball type of discussion that we can resolve our problems, our differences, and go on with the business, because the cities are going to suffer and this matter is going to be in this House or anybody else's house for the rest of the year, and try to satisfy the mayors, the Governors, the administration, that we will be encircled from now on in and we may lose this entire year.

And as the mayors have expressed very well, we have no time to lose, we have to have a program, we must know which direction to go, and these programs must be continued with some substitutes or some supplements, and therefore evaluating the discussion here, I am sure that we have got to meet in one room and decide what the programs are going to do for our people we represent.

Senator ROTH. I think you are making reference—as a matter of fact, Senator Chiles spoke to that point as well as myself in the opening remarks. In a sense, I think we are talking a little more long range than the immediate problem of what we are going to do today. I think decisions have to be made very promptly as to what is going to happen. But I would like, as long as you raise that, I would like to ask the cooperation of your group. If you care to make any comment now, I would be interested in that.

It seems to me that one of the basic long-range questions that has to be faced if you believe in federalism is what direction are we going to move. One of the complaints you hear is, the Federal Government is involved in so many areas of local problems that we are not doing a very good job in any of them. Some people suggest maybe the Federal Government ought to take over all welfare and the State schools and the cities do something else. I am not sure what the answer is, but I would like to suggest, I think it would be worthwhile to have a national conference on this question as to what is the Federal Government going to be responsible for, what are you going to be responsible for, and how are we going to finance it.

If you have any comments, I would be very interested.

Mayor MINETA. The testimony that I did not read deals with this question of an establishment of an urban growth policy. In fact, we are operating under an inadvertent national urban growth policy. I think specifically our urgency is really in terms of now, in terms of transition. The funding that we need now. You know, we have $2.1 billion in fiscal year 1973, under fiscal year 1974 we have $137.5 million. And so urgency is in terms of the transition.

The staff of the United States Conference of Mayors, the staff of the National League of Cities, is working with the staff of the Senate committee as well as the House committee relative to these specifics.

One of the things I would like to ask is whether or not with the failure of the Housing Act in 1972 in the Rules Committee last year in the House, whether or not there would be any interest on the part of the Senate, since you had so readily passed the Housing Act in 1972, whether or not we could just extract title IV of the Housing Act of 1972 relative to community development and look at that as a specific piece of legislation of its own and have that portion move forward without having the whole process hampered by the reintroduction of a Housing Act in the 93d Congress.

Senator ROTH. The Chairman may want to answer that. Let me make one comment. That, of course, should be directed to the Banking and Housing Committee, which has responsibility of the matter. I think it would be interested in your comments.

But I would like to say at this time, Mr. Chairman, I am drafting and will introduce legislation on this national debate, if you want to call it that, which direction are we going to head in the cities, States? I would like to submit it to your group for your comments and recommendations.

Again, I would like to thank you all for joining us today.

Senator MUSKIE. Thank you very much.

I will transmit that suggestion to Senator Sparkman and discuss it with him and other Senators on that committee who may be interested, including Senator Williams, I might say.

I know that we can take up the rest of the day in questions and discussions and perhaps surface a lot of useful ideas, but I think we have tested your patience and time and energy enough for 1 day. I would like to say thanks again to all of you. I consider this testimony a very important beginning to these hearings.

Thank you.

[See statement of Mayor Gibson, submitted for the record, p. 67.]

Senator MUSKIE. Thank you again.

[Whereupon, at 1:10 p.m., the subcommittee adjourned.]

STATEMENTS SUBMITTED BY MAYORS

PREPARED STATEMENT OF MAYOR ROMAN S. GRIBBS OF DETROIT, MICH.

Thank you for inviting the Mayors of America's major cities to be heard on the proposed Federal Budget for Fiscal 1973–74.

In expressing my profound concern over the direction of this Budget, I speak not only for my city, Detroit . . . where the effect may well be paralytic . . . but, as President of the National League of Cities, I speak for all urban centers in this country, struggling against poverty, disease, poor housing, unemployment and crime.

The President's budget for 1974, the financial vehicle for national priorities, would decimate many of the programs designed to contain and combat the social evils that plague our cities. These budget cuts will most drastically affect minority groups, the poor, the aged, and the ill. These cuts will give impetus to a new cycle of decay in American cities. If the cities decay, it will be a betrayal of this country's expressed commitment to its people. And this Nation cannot long endure without vital cities.

The President made a major point in his inaugural address, his State of the Union Address, and again in his budget message, of his philosophy that, both the power to decide issues and the responsibility for those decisions must be returned to the American people . . . to the local level. I share this view. However, I vigorously dissent with his statement that local governments are not maintaining their fair share of the burden of government.

In his Inaugural address, the President said: "Let us encourage the individuals at home to do more for themselves, to decide more for themselves. Let us locate responsibility in more places, and let us measure what we will do for others by what they will do for themselves."

I submit that the central cities of this country are doing just that . . . they are doing much for themselves.

What we have done for ourselves in Detroit is to impose a utility users tax and a 2% city income tax, at maximum statutory levels, on the already heavy burdens of Federal and State taxes—an income tax which is paid mainly by the city resident with only token payment by the commuter. Thus those people who can least afford it are shouldering the major burden of support for a local government which is hard pressed to keep its head above the flood of poverty, unemployment and other ills endemic to the bity city.

The President in his Inaugural speech also says: "General Revenue Sharing and Special Revenue Sharing programs can help considerably in achieving this goal (of local decision making and local responsibility). They provide for State and communities with financial assistance—in a way that allows them the freedom and the responsibility necessary to use those funds most effectively."

Let me give you my reaction to his proposals for these two types of revenue sharing separately.

The whole intent and philosophy behind the passage of General Revenue Sharing was a recognition of the stark fact that the basic needs of American cities had outstripped their financial resources. General Revenue Sharing was the Congress' and the President's answer to the cities' plea for outside additional help.

If the President terminates, and phases out many of the categorical Federal programs which provide the cities with assistance in the vital areas of health and community redevelopment, and says it is to be replaced with General Revenue Sharing, what will be the city's gain? All the extra, let me repeat, extra, financial support we expected from General Revenue Sharing, will be wiped out if these funds must be substituted for lost programs. The use of this substitution logic is completely contrary to the expressed intent of General Revenue Sharing . . . and a personal commitment the President made to us.

Special Revenue Sharing should be a good idea. I welcome the responsibility of making my own decisions about where the funds should go in Detroit. I welcome being held responsible for those decisions. I agree with President Nixon that: "Federal programs to assist State and local governments have become a confusing maze, understood only by members of a new, highly-specialized occupation—the grantsmen."

However, I cannot condone the dual purpose here—Special Revenue Sharing is being promised, but only after phasing down and in some cases phasing out vital programs which have taken years to build to their present level of service. The President is not only condemning our cities to flounder next year, but his budget will adversely affect them in the years beyond as program momentum is lost.

In justifying an impoundment of urban renewal program funds, the President has said: "Federally-assisted housing programs have been plagued with problems, and their intended beneficiaries have thus been short-changed."

I am not so naive as to suggest that nothing can be done to improve our housing and urban development programs. These programs do exist. They affect human lives. They do alleviate real human miseries. Can I tell Detroiters to wait three years for safe, warm homes, while the President irons out his program flaws?

In other areas, especially those of hospital construction, and unemployment, the President's generalizations ignore urgent needs in Detroit and other urban centers. He has condemned the Hill-Burton Construction Act as having outlived its usefulness, claiming that a shortage of hospital beds no longer exists. I invite the President to tour our Detroit General Hospital, with its crowded, ill-equipped, outmoded facilities. Without Federal aid, the city will not be able to build a new Detroit General Hospital, and consequently will be unable to provide its residents with adequate health care.

Speaking to the issue of unemployment, the President has said: "During the past two years, the Federal budget has provided the fiscal stimulus that moved the economy toward full employment . . . now, however, instead of operating as a stimulus, the budget must guard against inflation."

With this thought, he has apparently doomed the Emergency Employment Act Program.

While it is true that unemployment nationally has fallen from 6.4% to 5.5% in the past year, Detroit's employment picture is not so optimistic. Last year, Detroit's unemployment averaged 10.67%. This January, the figure is still high—8.2% in terms of people, this means that 54,000 Detroiters are still unemployed. If the public employment program is discontinued, over 2,500 city and board of education workers would be back among the unemployed. In addition, the 18,000 young people employed last summer under the neighborhood youth corps programs could not be hired. The O.E.O. cuts would mean a staff reduction of 600 in Detroit's Community Action Programs—not to mention the much needed services they provide the community.

Assistant Labor Secretary Michale H. Moshow, has suggested using General Revenue Sharing to retain those programs. Let me again emphasize that General Revenue Sharing was allocated to the cities of America in recognition of a need for extra revenue, not replace funding for on-going Federal programs.

The 20% Federal cut in other manpower programs would also cut the staff of Detroit's Office of Manpower Planning which is funded on a CAMPS grant. This reduction would impede our capability to respond to the severe unemployment problem which will arise, especially if the public employment program is allowed to end, and H.E.W. and H.U.D. programs are phased out.

In the category of Manpower Programs we estimate that if the Public Employment Program is phased out, and other manpower programs are reduced as the President has proposed, Detroit will lose $7 million next year.

The President has ordered the Environmental Protection Agency to allocate only $5 billion out of an available $11 billion for fiscal years 1973 and 1974 for the construction of municipal water pollution control facilities. Over the next 16 months, this will mean the loss of $123 million to Detroit in Federal support, an action which will cripple Detroit's plan to meet the Federal Environmental Protection Agency's Pollution Control Standards.

Detroit's Lead Poisoning Control Program has been highly successful in combatting a serious problem in our City with its large number of older homes. The President has proposed constricting and eventually phasing out this program.

The PRESCAD Program in Wayne County has already been limited by funds to reach only 25,000 of the 80,000 young people in our area who should receive their services. Both PRESCAD and the Detroit Maternal Health and Infant Care Programs are being cut by 40% to a total 1974 funding level in Detroit of $1.5 million dollars as compared to $2.5 million in 1973.

PRESCAD provided the only significant program of dental care for indigents and the greatest part of our medical care programs for children and adolescents. This cut will be felt deeply.

Public housing operation subsidies have been frozen. As you are aware, subsidies for the operation of existing public housing have been limited to a 3% annual increase, based on 1971–72 spending levels. Expenditures, primarily in the area of salaries and employee benefits, have grown at a rate higher than 3%. Through careful use of operating reserves built up in past years, the Detroit Housing Commission may be able to maintain its current level of services for a limited period. A city subsidy of $1.5–$2 million or an equivalent cut in services will then be required. I am informed that several cities have already begun suits against H.U.D. over such unrealistic funding limitations.

In housing, Urban Renewal and Neighborhood Development Programs, the President has set aside no new money, and has killed all new programs. If these reductions are allowed to take place, Detroit's Community Development and Urban Renewal efforts will be set back by at least two years—given the lead time necessary for such programs to show results.

The President intends to dismantle O.E.O., killing the Community Action Program entirely. This would translate into a loss of $6,100,000 for Detroit. It could deal a tragic blow to what little faith the minorities and disadvantaged had in the system and its concern for them.

Our Model Cities Programs, just now gaining momentum and chalking up results, will be cut 45%, or 13 million dollars.

Reductions in other sensitive human resources programs including Parent and Child, Concentrated Employment Program and the Neighborhood Youth Corps Summer Program will mean a $5,490,000 loss to us in Detroit.

I believe the President is making a grave mistake in his wholesale cut in human resources and community development activities. Special Revenue Sharing must be used to conceal total revenue cuts. The money he saves in 1974 will exact a tremendous cost in human misery. I predict there will not really be any savings at all because these problems will not cure themselves. As they are left uncured, they will increase and treatment of them will become even more expensive in the years ahead.

We in Detroit have worked long and hard to preserve and enhance our cities' human and economic resources. The proposed budget cuts would be a giant step backward for Detroit and America's cities. We urge Congress to take positive action to continue and strengthen the real federalism—by providing the funds and the programs so urgently needed by our urban centers.

Prepared Statement of Mayor Lee Alexander of Syracuse, N.Y.

Mr. Chairman, I am Lee Alexander, Mayor of Syracuse, New York. I am honored today to join my colleagues on the Legislative Action Committee of the U.S. Conference of Mayors in discussing with you the probable impact on localities of the proposed federal budget. In addition to my membership on the LAC, I am also a member of the Advisory Boards of the Conference of Mayors and the National League of Cities, and I serve as chairman of the Community Development NLC.

The Conference of Mayors and the NLC were early supporters of Reform current categorical aid system. We recognized the need to reorganize the federal bureaucracy and we have urged that responsibiilty for federal programs be vested at the local level.

Syracuse is a city of nearly 200,000 people. It is a strong city economically. Throughout the last decade, our unemployment rate has remained below the New York State average. Syracuse city government has never reported a deficit, and we have begun several programs, with federal assistance, to improve our City.

However, with my colleagues, I am concerned about the impact that some of the Administration's proposals will have in the neighborhoods of my city and on the general economy of a middle-sized city like Syracuse.

I am concerned most by the way in which the federal budget will affect the young people, the senior citizens and the veterans who live in my city.

The termination on July 1, 1973 of the Emergency Employment program will reduce the number of jobs available to service veterans at a time when our remaining Vietnam Servicemen are returning home. More than 700 men and women are employed through the Emergency Employment Act in our metropolitan area. Three hundred of them are employed by the City and nearly fifty per cent of these are veterans. The City of Syracuse has provided employment for 270 veterans through this program. We have put these people to work providing basic, essential services in our police and fire departments, in our schools, in consumer protection, in parks and recreation.

Twenty-five per cent of the persons we employ through this program were receiving welfare assistance before they were hired. The job market in our private sector will not provide jobs for most of them. It is more likely that they will again turn to welfare.

The proposed budget will eliminate 1,500 summer jobs for students in Syracuse that are financed through the Emergency Employment, Model City and Neighborhood Youth Corps programs. The loss of these jobs will also reduce several neighborhood-oriented recreation programs operated by the City. In addition, a number of youth-oriented programs are in jeopardy. For example, a tutorial program for potential school drop-outs now operated by a Black fraternal organization through the YMCA has been responsible for improving the learning abilities of hundreds of youngsters in City junior high schools will face elimination.

I submit, Mr. Chairman, that jobs for veterans, summer jobs for students, recreation programs and youth-oriented educational programs are essential tools in our community's effort to reduce crime and drug use among young people.

One thousand, seven hundred and forty-three units of subsidized housing and an additional 318 units of public housing are in jeopardy as a result of the Administration's proposals to cut back support for low and middle income hous-

ing construction. Six hundred and sixty-seven of these units are planned for the elderly. As of February 1, 1973, the Syracuse Housing Authority had a waiting list of more than 1200 persons and families seeking adequate housing. If federal support for these projects withdrawn, we will not meet the housing needs of our senior citizens.

Seven hundred and fifty of these housing units are rehabilitated housing. I am particularly disappointed in the Administration's decision to eliminate all funds for rehabilitation after July 1, 1973. Our housing rehabilitation programs are essential to our city's total efforts at neighborhood preservation and neighborhood development. We have recently completed a neighborhood rehabilitation program in one area of our city and had wished to develop similar programs.

In the past three years Syracuse has committed several million dollars of local property and sales taxes to improve our neighborhoods—toward new school construction, new firehouse construction, the development of crime control teams, and the improvement of our parks system. Housing rehabilitation is an essential part of this effort.

We recognize that the nation may no longer be able to afford all of the separate categorical programs that have been established in the last thirty years. But we cannot accept decisions which reduce the opportunities available for our senior citizens, for our young people and for those who have served our country.

Within a spending ceiling of $268 billion in Fiscal Year 1974 and without increasing federal taxes, we feel the nation can and must try to meet the employment and housing needs of its people.

Prepared Statement of Mayor Henry W. Maier of Milwaukee, Wis.

Senator Muskie, and members of the committee.

The budget document before you contains a series of broken promises to the Mayors of America. Those who will suffer most from those broken promises will be the poor, the elderly, the untrained, the unemployed, the sick, the school drop-outs and other victims of poverty who are concentrated in our cities. Those who will pay for them will be the local property taxpayers.

The last time a group of mayors lined up jointly at a congressional witness table, we were testifying on behalf of the general revenue-sharing bill enacted by Congress in the last session.

The mayors were united behind that witness table ,and behind the bill, because we had been assured, not in general terms, but explicitly, that general revenue-sharing was not to be a substitute for on-going Federal categorical programs. That explicit assurance was given by the President himself at a meeting held at the White House with the governors, mayors and county officials.

Consistent with this understanding, the President in his budget message cites revenue-sharing as something that "will help state and local governments avoid higher taxes."

But when we read the budget itself, we find that the rhetoric of the message has not been reconciled with the reality of the reductions.

Or, to put it more bluntly, the President is breaking the promise he made to us at the White House.

Explaining the termination of grants for local community action programs, the budget states:

"If communities desire to continue providing financial support to local community action agencies, general revenue-sharing funds could be used."

In phasing out open space land programs, the budget reads:

"Provision of local open space is a low priority use of Federal resources. Local communities may continue to provide public open space through the use of Federal shared revenues."

In cutting off grants for public libraries, the budget declares:

"With the increasing availability of general revenue funds, states and localities will be able to continue programs formerly supported by Federal categorical assistance programs."

Gentlemen, when you add up the effects of the Presidential impoundments of funds already appropriated by Congress, the freezing of HUD programs announced by outgoing Secretary Romney, and the deep slashes in the Presidential budget before you, we find the cities to be worse off financially than before

general revenue-sharing was enacted. I shall demonstrate that specifically when I later discuss how the cutbacks will affect my own city's programs.

On top of this, we find the President's budget saying to the people whose programs were not administered by the city government, such as the school board, county government, and social development commission in the case of my city—if you want these programs continued, go to city hall and have them financed out of general revenue-sharing funds.

Milwaukee received about $11 million in general revenue-sharing funds the first year. The social programs administered by agencies other than the city are slashed by more than $20 million by the President.

The attempt to substitute general revenue-sharing funds for categorical aid programs represents a gigantic double-cross of the rural poor and city poor of America. General revenue-sharing funds were distributed across the board to every municipality in America—the gold coasts of suburbia as well as the bankrupt inner cities and rural townships. Through general revenue-sharing, the rich suburbs get richer, through categorical cuts, the inner cities and rural townships get poorer.

The mayors who campaigned across the country for revenue-sharing are the victims of a cruel hoax if these cuts are allowed to stand.

But this is not the only hoax. Before the election, President Nixon had promised relief for local property taxpayers by having the Federal Government take over some of the costs of education now borne by the local property tax. That promise has now been forgotten.

Now another hoax is being perpetrated. President Nixon is creating the impression—and a lot of our citizens, particularly businessmen, are buying it—that all he is proposing is a ceiling on national expenditures to avoid inflation and prevent a tax increase; and that within that ceiling the money can be spent on domestic priorities if Congress so chooses. But, as you gentlemen know, President Nixon declared at a press conference following submission of the budget that if Congress were to restore these cuts in city programs, he would veto them; and if Congress passed them over his veto, he would impound the funds.

The final and inevitable result of these reductions in city programs through the freezing of funds and the deep slashes in the budget, will be to transfer the burden onto the back of the already over-burdened local property taxpayer.

The President says the budget must be cut to prevent inflation and avoid a tax increase. We do not quarrel with him on that score. We do quarrel with him on where he thinks the cuts should be made.

What should be the number one priority in domestic needs—the problems of urban America—becomes the lowest priority in the President's budget.

Programs for cities were slashed from $4.2 billion to $2.7 billion. Programs affecting the poor, the elderly, the unemployed, the untrained, the sick and the young were slashed by $7 billion.

At the same time, the total budget was being increased by $11 billion including an increase of $4.7 billion for the second biggest Pentagon budget in history even after the withdrawal from Vietnam.

Let me tell you how these cuts will affect one city—the City of Milwaukee. The figures for New York, or Detroit, or Chicago would be much more dramatic and overwhelming, but if you look at the Milwaukee figures, you get some measure of the magnitude of the impact in our cities generally.

The city of Milwaukee itself will lose $75 million next year. That's the equivalent of $425 for every family in the city.

The social programs administered by other agencies were slashed by another $20 million.

That's a total of $95 million which will be taken out of our local economy next year. Can you imagine the outcry if the President had closed 20 defense plants in Milwaukee which were generating $95 million in our economy?

In health services, we lose more than $700,000.

In anti-pollution and other funds to improve the environment, we will lose more than $20 million.

In funds for job training, we would lose almost $5 million.

In funds for economic development, we would lose more than $400,000.

For housing and neighborhood renewal, we lose almost $49 million. Part of that is represented by the loss of 840 units of low income housing which our housing authority was ready to put under contract this year. As you know, Secretary Romney placed an 18-month moratorium on all subsidized housing.

As a result, we will not be able to build this or any other low income housing for the next 18 months, and we have no indication from the administration as to what we can do about low and moderate income housing after the 18-month period of freeze. During that 18 months, we should be building, not only these 840 units which have been snatched away from us, but another 6,000 units of low and moderate income housing lost to freeway construction, to take care of people uprooted by other public actions and to reduce the heavy backlog at our public housing authority.

How much of these losses will we recover if the special revenue-sharing block grants are passed? Next year, not a penny, because as you gentlemen know, but which unfortunately the country as a whole does not understand, special revenue-sharing legislation is not due to take effect until July, 1974.

None of the cuts I have outlined would be affected by the education, manpower or law enforcement special revenue-sharing measures. The community development special revenue-sharing bill would provide us only $10.5 million out of the $49 million lost, because as you know, the community development bill does not provide any funds for housing assistance programs which former Secretary Romney put under freeze.

But more than money, the cutting off of these funds affect the people of my city—the kinds of neighborhoods they live in, the cleanliness of their rivers and our lake, housing for our elderly, health, jobs, economic vitality, indeed the very quality of our life.

General revenue-sharing was not intended to replace categorical aids, special revenue-sharing will not replace the loss the cities will suffer, and the presidential freezing of funds makes a mockery of Congress and an unwanted stepchild out of our cities.

By all rights, our cities deserve to be our nation's number one priority. Our cities deserve more, not less, if this Nation is to grow in greatness—if we are to preserve the domestic tranquility and improve our quality of life.

PREPARED STATEMENT OF MAYOR RICHARD GORDON HATCHER OF GARY, IND.

Mr. Chairman, and other members of the subcommittee, I want to thank you for the opportunity to speak here this morning. I wish this appearance were entirely unnecessary. But in view of the proposed action of the Federal Government with respect to our Nation's cities, it is crucial that the Congress and the country realize what is happening, and I appreciate the timely invitation of this committee to bring about that realization.

I had the privilege to testify before you in late June of last year at a time when your subcommittee was inquiring into the administration of local property taxes across the country. It is reassuring to know that the Senate subcommittee on Intergovernmental Relations, under the leadership of its very capable chairman, retains its deep interest in the plight of our local communities.

My purpose here today is three-fold: To tell you of the total financial impact to my city of Gary, Indiana as a result of impoundments, the so-called housing moratorium, and the proposed budgetary cutbacks; to share some highlights of that impact in programmatic and human terms; and to point up additional, equally important ramifications of that proposed Federal action.

Gary, Indiana has been fortunate in the relative amount of Federal financial assistance it has received in the past 5 years, a period embracing two national administrations. Since I first assumed office as mayor in 1968, that assistance has risen steadily to the point that, on a per capita basis, Gary, Indiana may have fared as well in 1972 as any other American city.

Given the fact that there have never been adequate resources to meet the needs of our cities, Gary has been pleased and is appreciative of the consideration extended us. At the same time, it should be noted that our needs and problems have been great; and we have aggressively sought Federal assistance; and for the most part, we have used it wisely. Gary has been able to pioneer a number of innovative and successful programs and has achieved national prominence in several important areas.

On the basis of existing programs and new plans, Gary had anticipated receiving approximately $30,629,900 in Federal moneys in 1973, including about $3 million which would have gone directly to our public school system.

As best as we can estimate items, the overall impact of the three-pronged Federal budgetary action will reduce that $30.6 million figure by more than $21,175,000—to less than $9.45 million. That is about 30% of what we had expected to receive in 1973.

Even if an estimated $3.5 million in Special Revenue Sharing materializes for Gary, we will have about 42% of what we had previously expected—and less than 40% of what we received in 1972.

Beyond those dollar terms, allow me to point up some of the activities which will be affected.

Gary may be forced to eliminate or severely curtail the operations of its family health center, funded through our Model Cities Program, which currently provides sorely needed health care for 561 low-income families for whom such care is inaccessible or otherwise beyond their means. The same sword of Damocles hangs over the educational development of 86 three-year olds in our "Child's World of Discovery" program; 266 four-year olds in our early learning center; 137 seventh and eighth-graders who benefit from the special attention provided them in our advancement school; and 134 high school dropouts who are now progressing through our Martin Luther King Academy. And our Latin American Family Education program, a highly successful venture benefitting our Spanish-speaking population, is seriously jeopardized. In the past year alone, it has taught "Survival English" to 208 adults and 388 children of Latin heritage.

We are faced with the prospect of slicing almost in half our Emerson Code enforcement programs which is geared to the improvement and stabilization of an ethnically-mixed neighborhood composed of about 7,500 poor-to-moderate income level persons, including a high percentage of elderly persons. Many of the latter are widows and widowers who desire the proximity to our downtown area they currently posses, but who need desperately the long-term, low-interest loan monies they anticipated in order to make their housing standard again. Home inspections have been made, residents have been integrally involved in the planning process, appointments have been made to launch the financial arragements necessary for improvements and rehabilitation. Now much of the program hangs in the balance and the future for the residents of Emerson has perceptibly dimmed.

The immediate future is equally bleak for 5,000 poor youths, aged 14 to 18, who were to have worked in our Neighborhood Youth Corps program this summer. We simply do not have employment alternatives for them in Gary. While they only received $400 for 10 summer weeks of work and job training, those youths frequently utilized those funds to enable their families to get their children ready for school in the fall. Anyone sensitive to the human condition must agonize with me over the fate of such young people who on occasion carry a final payment notice from the utility company when they receive their paycheck.

We are faced with the termination of our public employment program which has provided jobs and real opportunities for nearly 500 unemployed persons in Gary—and moved 215 of them into non-subsidized positions. What of the future of the 281 current program participants, nearly one-third of whom are Vietnam veterans and 80 to 90 percent of whom will need some form of continued assistance until they develop marketable job skills?

We will be forced to close down our loaves and fishes program funded through our Community Action Agency which, in the past nine months alone, provided adequate meals to 3,153 low-income senior citizens. The same fate is in store for the agency's youth development program which provided more than 60,000 lunches last summer for young people involved in our recreation and job training projects.

Also, we must abandon plans for about 600 units of new housing—just as that many families and individuals must forgo their hopes to live in standard, decent dwellings.

Those, then, are some of the human losses which we will experience in Gary, Indiana, as a result of cutbacks in Federal monies through proposed budgetary reductions, impoundment and spending moratoriums.

They are severe and in many ways obviously tragic—but no more so, perhaps, than the symbolic and psychological ramifications of proposed Federal action.

Gary, Indiana, in most ways, epitomizes a medimum-sized American city—sorely neglected in the past—which currently has a majority black population and a combined black and Latin population which has been estimated as high as 65 percent. The national trend toward majority central city populations comprised of blacks and other minorities has been well-documented and is clear for all to see. In my judgment, our metropolitan areas and the Nation as a whole

cannot long endure without cities such as Gary remaining vital. But they cannot survive, let alone aspire for vitality, without strong Federal assistance.

Beyond that, Gary has taken on national significance in recent years as a black center. It was one of the first two major American cities to elect black mayors; it has become a focal point of sorts for black arts and culture; it was the site of the historic national black political convention; it is the continuing subject of research by scholars in black studies; it now has a black majority on its city council, a black municipal judge and a black delegation to the Indiana General Assembly; it has the only black-owned cable television corporation in the Nation; and it has developed opportunities for blacks at all levels within the housing industry—from design to financing to construction. We are justy proud of our city and our accomplishments in recent years in other areas and on the basis of other considerations, too—but it is a fact that Gary, Indiana has become a focal point for the hopes and dreams and activities and achievements of black people in this Nation.

Our city is also, on several counts, at the crossroads of our revitalization effort. We had approached the point, based on Federal commitments, of catching up on our previous shortage in the supply of standard housing. Many of our manpower and job training efforts had shown tangible results. Our midtown area, which abounds our downtown business district, is seeing the first new construction there in several decades. And despite having to fight an influx of hard drugs with few resources, we have recently observed the ninth consecutive month of decreased criminal activity in our city.

So we have a city which in certain ways embodies black aspirations throughout this Nation having scored certain breakthroughs and being on the threshold of more important ones. And at this very juncture comes the Federal Government with impoundments. A housing moratorium and proposed spending cutbacks which are severe on all counts.

That Gary, Indiana should be especially hurt by the Federal action is not surprising: A cursory review of the Federal budgetary actions indicates clearly that urban dwellers and therefore black Americans are expected to bear a disproportionate burden.

I understand as well as anyone that the climate and conditions in this Nation are such that it will be difficult to generate the widespread opposition which this Federal action merits. The cities are increasingly viewed as repositories for the poor, the black, the latin, the elderly—those who are relatively powerless against the interests of stronger and more affluent elements of our society.

But I realize also, and I hope that the national administration and the Congress do, that as a moral and practical matter our society cannot raise the expectations of the downtrodden in this Nation and then dash those expectations. For no amount of rhetoric changes the fact that in so doing this society would be daring an understandably desperate people. It would be inviting them to abandon what little hope they have in our system of laws. It would be taking a reckless gamble with the stability of this Nation. It would be inflaming and compounding the indignities which the have-nots are systematically subjected to.

We cannot, in my judgment, afford any of that in the interest of this society.

We stand here in February, 1973 having recently terminated a long and costly war which has robbed us of some of our outstanding young men, stripped us of much of the respect we had in the eyes of our fellow citizens of the world, and sapped us of our resources. That war never should have existed, and it continued much longer than necessary, but I rejoice with others that it is, at long last, terminated. My fellow mayors and I had hoped that this Nation would begin the long-deferred task of rebuilding our urban areas so that the promise of equality of opportunity could become a reality. My fellow mayors and I had hoped to see this Nation's resources funneled into our cities where they belong. My fellow mayors and I have been told on numerous occasions that the Federal commitment to the cities would not be reduced.

And yet, as you can see clearly and as I have tried to translate in terms of impact upon my city, the urban communities of America are being severely hurt. It seems we have ended an international conflict only to renew a national one with greater intensity than before.

We look to this sub-committee of the United States Senate and to the Congress as a whole to check this action to prevent greater urban disaster before it becomes a reality.

The Congress most certainly can and, in my judgment, should act with all the force at its command to direct a course of action in the greater interest of this Nation and all its citizens.

Agencies/program	1972 actual appropriation	1973 original anticipation	1973 cutback: Amount	1973 cutback: Percent
Housing and Community Development:				
Airport:				
Runway strengthening	$453,000			
Consultants	45,000			
Beautification: Open space	50,000	$205,000	$105,000	50
Community renewal program	200,000	200,000		
Emerson Code enforcement	400,000	1,600,000	625,000	40
Gary Housing Authority	4,318,000	6,700,000	6,700,000	100
Gary neighborhood services:				
Senior employment	101,670	101,670	20,000	20
Day care	64,000	64,000		
Metro Corps	450,000	450,000	450,000	100
Model Cities	2,600,000	2,600,000	1,560,000	60
Park Department: Neighborhood facilities	350,000	350,000	350,000	100
Redevelopment:				
Model neighborhood, phase I and II	1,802,000	2,000,000	2,000,000	100
Small farms	6,255,800	5,000,000	2,500,000	50
Senior opportunities	40,000	40,000	4,000	10
Total, Housing and Community Development	17,129,515	19,310,670	14,314,000	
Manpower:				
Cep	1,850,000	1,850,000	360,000	20
Camp's Mapc	75,000	97,000	25,000	25
NYC (in school)	159,430	159,430	32,000	20
NYC (out of school)	613,970	613,970	122,000	20
NYC (summer program)	1,554,000	1,750,000	1,750,000	100
On-the-job-training (Urban League)	149,860	150,000	30,000	20
MDTA institutional training	154,750	154,750	31,000	20
Summer transportation	7,200	7,200	7,200	100
PEP	1,790,000	1,900,000	1,900,000	100
Total, Manpower	6,354,210	6,682,350	4,257,200	
Health:				
VD control	48,000	79,927	12,000	15
Gonorrhea control	60,000	204,000	30,600	15
Maternal childcare		161,468	161,468	100
Total, Health	108,000	445,395	204,068	
Education:				
Adult education	45,000			
Bilingual education	162,200			
Higher education	2,200			
Higher education equipment	14,100			
Higher education talent	86,550			
Youth development	49,080			
Title I GT. mobile unit	51,900			
Career opportunity	300,500			
Title III, parent cons	44,800			
Title III, guid. and read	29,300			
Title IV, deaf learn	11,000			
Title I, early learn	1,200,000			
Preschool handicapped	110,000			
Sickle cell grant	95,000			
Library grant	47,000			
Headstart	230,000			
Total, Education	2,478,630	3,000,000	300,000	10
Air and Water Pollution:				
Air pollution control	4,000	200,000	100,000	50
Water pollution control	4,000,000		2,000,000	50
Sewage installation	2,000,000			
Total, Air and Water Pollution	6,004,000	200,000	2,100,000	
Miscellaneous:				
Criminal justice planning:				
Budget	448,300	350,000		
Criminal impact		385,000		
Legal Aid Society	151,485	151,485		
Data processing	105,000	105,000		
Total, Miscellaneous	704,785	991,485		
Total:				
Housing and Community Development	17,129,515	19,310,670	14,314,000	
Education	2,478,630	3,000,000	300,000	
Air and Water Pollution	6,004,000	200,000	2,100,000	
Manpower	6,354,210	6,682,350	4,257,200	
Health	108,000	445,395	204,068	
Miscellaneous	704,785	991,485		
Total	32,779,140	30,629,900	21,175,268	

PREPARED STATEMENT OF MAYOR JOSEPH L. ALIOTO OF SAN FRANCISCO, CALIF.

Earlier this month, in his written "State of the Union" message, the President asked Congress to accept his new budget policies as a "pragmatic rededication to social compassion and national excellence."

The pragmatic reality of this budget is that it shows little dedication to America's cities and even less compassion for their people.

Instead of national excellence, it will bring us national shame because it will mark a moment in history when the United States decided to turn its back on the less fortunate among us.

We will have made a decision that our cities are not worth saving. Yet history—recent and ancient—should have taught us that abandonment of a nation's cities previews collapse of the nation itself.

In my own San Francisco, where we have made real progress in dealing with the truly human needs of our city, this proposed budget will deliver a demoralizing, destructive blow.

It offers us only $40 million for social programs now funded at $88 million and for which our recognizable and practical need is $118 million.

These are the very programs that have helped so much in closing the gap among the races, that have started our ghettos rebuilding into neighborhoods, that have started our poor on the long journey to realizing the full benefits of citizenship in this great country.

It is absolutely imperative that the funding for these projects not be suspended. We have established a momentum in our drive to restore our neighborhoods and to provide decent housing for our poor and elderly. We cannot allow this momentum to be stalled and turn our backs on this moral commitment to those who ask only a chance at sharing in the abundance of our country.

Yet, at the same time this Administration is refusing to rebuild America's cities, it is pledging every financial assistance to restoring the cities of North Vietnam. In fact, it may very well have already made secret commitments to that effect without consulting Congress.

North Vietnam deserves no super-priority over American cities.

Before we start rebuilding Hanoi and Haiphong, we must complete the rebuilding of New York, Chicago, Houston, San Francisco, and all our other cities involved in no less a struggle for survival.

Any other course of conduct by this government represents a moral bankruptcy which will be rejected by the American people.

If the priorities reflected in this budget go unchallenged, this nation will surely face a revival of the discouragement and despair so evident in the 1960's.

Where is the compassion in a budget that strikes most severely at the poor, the elderly, the already unemployed, our school children?

Where is the dedication in a budget that strips us of the funds needed to rebuild our aging neighborhoods, that will force us to fire 2,000 people from their jobs, that will kill programs to help our educationally handicapped children, that will stop us mid-way in training our unemployed?

Where is the excellence in a decision to turn our backs on our own people in favor of spending billions on a country 9,000 miles away?

The President's proposed budget cuts come with the explanation that many urban programs are wasteful, that the reductions are necessary to control inflation, that it is all part of a vital new move to return more local control to the cities.

Every Mayor in this hearing room supports responsible actions to control inflation.

Every Mayor in this room acknowledges some waste and inefficiency in a number of these programs, but certainly no more than is evident in the Defense budget and many other governmental programs.

We pledge our fullest efforts to trim every ounce of fat from the urban programs. We ask the Administration to do the same with the rest of its budget.

Every Mayor in this room supports a ceiling on the total national budget, but with some sensible structuring of priorities under that ceiling.

Frankly, a ceiling on the national budget could be meaningless if the cities are forced to raise property taxes to save the programs killed by Washington.

And deliberately creating unemployment in our cities is a strange choice of weapons in the war on inflation.

From its budget, we can only conclude that this Administration seems intent on forcing the American public to choose between the "work ethic" and the "welfare ethic."

We all believe very strongly in the "work ethic" and much of this nation's greatness derives from its willingness over the span of history to embrace that belief.

But the soul and spirit of our Nation are founded also on our belief in the "Christian ethic", which asks only that from our abundance we provide for the poor among us.

If we lose that spirit in this country, we have nothing.

Finally, as we review the administration's budget, we cannot divorce it from the unconstitutional arrogation of power evidenced by the Presidential impoundment of funds and killing of programs over the clear will and intent of Congress.

Over the objections of our Legislative branch, the Administration says it is phasing out programs to tighten up the Federal budget.

What it is really doing is phasing in programs—right into the cities' budgets and on to the backs of the property tax payers who can afford them least of all.

ESTIMATED EFFECTS IN FISCAL YEAR 1974 OF FEDERAL CUTBACKS ON COMMUNITY DEVELOPMENT AND HOUSING—SAN FRANCISCO

TABLE 1.—ESTIMATED AMOUNT OF FEDERAL FUNDING

[dollars in millions]

Programs	Current fiscal year 1973	Fiscal year 1974 Needed	Fiscal year 1974 Expected	Fiscal year 1974 Difference
Community development:				
FACE	$2.10	$1.75	0	$1.75
Redevelopment	[1] 18.00	[2] 35.10	0	35.10
Neighborhood facilities		2.33	0	2.33
Open space	.14			
Model cities	7.35	7.35	[3] $2.00	5.35
Subtotal	27.59	46.53	2.00	44.53
Housing subsidies:				
Sec. 312 rehabilitation loans	3.00	8.03	0	8.03
Sec. 236 private housing	1.29	1.80	0	1.80
Rent supplements	1.65	[4] 0.76	0	0.76
Public housing	3.66	[5] 8.50	3.95	4.55
Subtotal	9.60	19.09	3.95	15.14
Total	37.19	65.62	5.95	59.67

[1] Includes $4,900,000 which became available in fiscal year 1973 but was allocated out of HUD's fiscal year 1972 budget.
[2] Includes $13,000,000 for land writedown in western addition A–2.
[3] Does not include $2,500,000 carryover from current funding.
[4] Rent supplement funds generally lag 1 year behind sec. 236 funds. This figure does not include subsequent need fo $800,000 to apply to fiscal year 1974 needs for sec. 236.
[5] Includes $1,900,000 as the annual subsidy contribution for the capital cost of $19,650,000 for 750 new units.

TABLE NO. 2.—NUMBER OF HOUSING UNITS

Programs	Fiscal year 1974 Program need	Fiscal year 1974 Expected	Fiscal year 1974 Difference
Sec. 312 rehabilitation loans	1,319	0	1,319
Sec. 236 private housing	1,504	0	1,504
Public housing	1,750	0	1,750
Total	4,573	0	4,573

NOTES

1. Above does not include 582 units programed for receiving Sec. 236 funds in fiscal year 1973 and for receiving rent supplements in fiscal year 1974.
2. An additional 2,115 units, for which HUD reserved funds prior to the moratorium, may also be affected by the moratorium due to normal construction cost inflation and HUD's unwillingness to increase subsidies or extend feasibility letters, thus causing the involuntary abandonment of housing plans by sponsors.

ESTIMATED EFFECTS IN FISCAL YEAR 1974 OF FEDERAL CUTBACKS ON SOCIAL PROGRAMS—ESTIMATED AMOUNT OF FEDERAL FUNDING

[In millions of dollars]

Programs	Fiscal year 1973	Fiscal year 1974		
		Needed	Expected	Difference
Manpower:				
EEA	6.40	6.40	3.50	2.90
Other	23.60	24.80	21.20	3.60
Economic opportunity	15.00	15.00	10.00	5.00
ducation:				
Title I (ESEA)	5.20	5.20	0	5.20
Public Law 874	.68	.68	0	.68
Total	50.88	52.08	34.70	17.38

ESTIMATED EMPLOYEE CUTBACKS

Program employment	Fiscal year 1974	
	Present level	Estimated reductions
Community development and housing	1,402	−350
Manpower training	2,565	−965
Economic opportunity	1,025	−346
Education (title I)	450	−450
Total	5,442	−2,111

PREPARED STATEMENT OF MAYOR WES UHLMAN OF SEATTLE, WASH.

SENATOR EDMUND MUSKIE, CHAIRMAN: Honorable Chairman and Committee Members, I am very grateful for this opportunity to address you on an issue which is of the utmost concern to the city whose people I serve and to myself personally.

As much as I might wish, I cannot change or soften the gravity of the crisis before us. The proposed Executive Budget for 1974 poses a direct and serious threat to the life of Seattle and its people, and to every urban center in the nation. Its recommendations endanger the viability of municipal government, the stability of the urban economy, the quality of the physical environment, and the individual lives of citizens. In short, the whole fabric of urban community in America is threatened.

This is not hyperbole. Rhetorical embellishments are not necessary. The figures speak plainly for themselves.

The Presidential impoundments and the proposed Executive Budget represent a loss of $97.8 million in projects serving Seattle. In terms of 1972 funding levels for programs directly administered by the city government, over $25 million would be lost, and another $52 million placed in jeopardy. Under this budget, the city government coud lose a sum equal to its General Fund for 1973, well over half of the federal funding it is currenty receiving.

These dollars, despite the opinion expressed in the White House, represent programs which have held real benefit for individuals and for the total community.

For an aging blind man, the President's budget will mean no more new braille books . . . and back to loneliness and isolation.

For a black mother finally off welfare and into a job, the President's budget will mean no day care center for her children . . . and back to welfare.

For a youngster who has dropped out of school, the President's budget will mean no possibility of a job from Neighborhood Youth Corps . . . and back to the streets.

For an elderly person unable to leave his room, the President's budget will mean no one to come and help cook a meal . . . and back to a life of unending monotony, without dignity.

For an Indian family, the President's budget will mean no public health hospital to turn to in an emergency . . . and back to the precarious existence in the shadows of a white society which does not care.

For all of the people in Seattle's inner city, the President's budget will mean an end to the progress which it has enjoyed for the past five years. It will mean no more Model City Programs. It will mean that a steadily declining crime rate could begin again to climb. It means no more development of needed parks. It means no hope of initiating a program of long overdue housing rehabilitation and development.

For the city's minorities, it means the end of programs which have recruited and trained them for jobs in city government, and thereby raised minority employment on the City's payroll from 3% to over 13% in less than five years.

For all the city, the President's budget could represent a loss in direct and indirect employment and business of a quarter of a billion dollars. It will force unemployment back up, and negate two years of effort to lower unemployment from a high of 12% to a current 9%.

This is what the President's budget will or could mean just on the face of it, without trying to compute the loss of many state, regional, and county programs affecting the city, without trying to calculate the impact of the transfers of program authority from the city to other levels, without trying to figure out the changes in funding formulas, and without trying to anticipate future freezes and impoundments.

The President has offered three basic justifications for his proposed budget. He has said that it will combat inflation, that it will eliminate programs that have failed, and that it will revolutionize the delivery of social services under the banner of the new federalism. For my own part, I must challenge all three of these premises.

First, and very simply, I cannot accept the sacrifice of social programs in the name of preventing inflation, when there is at the same time proposed a $4 billion increase in the Defense budget, particularly coming at the conclusion of a war. I cannot accept this rationale, when the President refuses to recommend the reform of the inequities and privileges of the Federal tax system which helps to promote inflationary business activity.

I agree with the President that some of the programs initiated as experiments under the New Frontier and the Great Society have not met expectations. I cannot condone, however, throwing the baby out with the bath water, nor can I understand why the Administration has not acted to apply the lessons of these programs in instituting new and better approaches to meet social needs.

Above all, I cannot accept this explanation when military programs which fail year after year to meet their objectives or exceed their budget by billions of dollars are not treated with the same severity as social programs. In all conscience, I must ask you how many years sooner might our prisoners have come home if this criterion of failure had been applied as forcefully to our commitment in Vietnam as it is to our commitment to America's cities.

Finally, on the issue of new federalism, I can only respond with confusion and dismay.

I, like most of us in this room, I am sure, applauded the President's call for a new American revolution, for the transfer of responsibility from a burgeoning national bureaucracy to the state and local governments.

In this spirit, we accepted general revenue sharing. Its intent was simple: give the cities back a portion of the funds which they have paid out so that they could avoid bankruptcy. Many of the mayors in this room, including myself, came to Washington again and again to lobby for general revenue sharing because we knew that without it, our governments could not fill the growing breach between the demand for additional city services, let alone new ones, and the local revenues available to us. In essence, we turned to the world's largest and most efficient tax collector for the same consideration afforded an ailing defense contractor.

But general revenue sharing has not turned out to be the savior we had hoped for. Even with revenue sharing, the City of Seattle faces a possible deficit next year of almost $7 million, solely because of inflation and higher labor costs and with no expansion of services or employment.

Special revenue sharing presents even dimmer prospects. Of the anticipated program losses I described earlier and itemized in the attachments to this testimony, special revenue sharing would make up barely half.

If these revenue sharing proposals and the Executive Budget are the new federalism, then I must say that the cities have been deceived. We have been

given greater responsibilities, but we have been denied the resources and the tools needed to fulfill them.

The new federalism has turned out to be a Trojan horse for America's cities. A gift left behind by an administration retreating from its basic responsibilities to the citizens. A hollow gift filled, not with enemy troops as in ancient Troy, but with impoundments and program freezes, with lopsided funding formulas, with broken promises and cynical pretexts, and with an Executive Budget that will spell disaster for human services and community development in every city in the nation.

Just before I left Seattle, I told a forum of over 300 citizens concerned about revenue sharing and the President's budget that the situation was not hopeless because there is still a Congress in this country. You, gentlemen, and your colleagues in the Senate and in the House of Representatives, are truly our only hope.

Statement of Mayor Kenneth A. Gibson of Newark, N.J.

Gentlemen: While it is always a pleasure to meet with you, I regret that our purpose here today binds us to matters which if not resolved will have a most regressive effect on the lives of Americans.

I will submit a more comprehensive narrative with supporting facts and figures for the record, along with my reply to the questionnaire forwarded by your chairman, Senator Muskie, within two weeks. I will be available for whatever questions you may ask after I complete my statement.

We are here in response to your expressed concern about the effects of the new Federal budget. I will confine my remarks to what I know to be the most worrisome effect, *the effect on human life.*

Since the announcement of the HUD moritorium and public disclosure of the administration budget requests, my analysis indicates the following where information is readily available in terms of dollar loss, and the impact in terms of persons employed or citizens serviced in five major areas for the city of Newark, N.J. keeping in mind the uncertainty of future funding levels, as compared to current levels, pending passage and implementation of special revenue sharing or whatever is ultimately agreed to by the Executive and the Congress:

Clearly, our resources will be reduced. Our current rate of 14% unemployment, nearly three times the national average will increase. Our present service rendering capacity will be disrupted. And our total economic base, in an already hard pressed urban center, will be seriously jeopardized.

At this moment in time, I cannot deal with the broader constitutional questions; I cannot deal with the matter of Executive prerogatives; nor can I deal with lengthy debate. Because the effect is so devastating, and because it comes when the need is the greatest, I have no choice, and I hasten to say *we* have no choice, other than to deal with those persons who are unemployed (14% in Newark); those persons who live in substandard housing (35 to 40% in Newark); and with all the residents of Newark who in one form or another contribute to property taxes which by now are nationally known to be confiscatory. Because of these prevailing conditions of a history of poverty which glaringly exist in Newark today, February 21, 1973; and because each of us knows full well that the physical and psychological effects of hard core poverty have been in evidence for generations and that we are nationally at a very early stage in dealing with it, we have no choice but to render rational thought and care to any and all decisions aimed at dealing with these realities.

While some are of the conviction that the amounts of money spent are secondary in importance to the sophistication of the mechanisms used to scrutinize the spending of that money, we cannot pretend that the effects of poverty, the poor themselves, and the needs of people are abstractions which bend and mold with every newly conceived administrative or political approach. The reshuffling of the entire domestic government and our resources is much delicate a task to occur as it might under the present scheme. A scheme which is, without a doubt, sweeping in dimension, but not in the same fashion as the New Deal—The Great Society—The War on Poverty and the like.

Because the funding levels will be reduced, because adequate notice and consultation did not take place, and because interim provisions containing hold harmless guarantees are not included, the notion of giving localities greater discretion is a sham as are the predictions of rational effective results.

The fact that 1,315 families in Newark will be without a paycheck with the expiration of EEA; another 11,000 young people will be unemployed with the discontinuation of Neighborhood Youth Corps funds; millions of housing construction and subsidy dollars are frozen with the HUD moratorium; and just this week three legal service projects were shut down can be cited as a few of the immediate measurable effects. Many other immeasurable effects in a city like Newark, where much of our economy is service and consumer oriented, must be cited: Marginal businesses will be forced to close—more homes will deteriorate and be abandoned, the supermarkers and clothing stores will sell fewer products, more jobs will be lost—more public assistance will be required—crime will more likely increase—and the entire fabric of social well being will begin to crumble.

Many people who for a variety of reasons are removed from these concerns on a day to day basis may view our testimony here today as part of an exercise we either enjoy or are conditioned to perform every year at budget time. We've gone through the starting up and the winding down before but never before have we certain inevitability to all of this let us do it with people—not procedures in mind. If we put aside the desire to score political points and form a cohesive alliance where there is candor, flexibility and human concern in evidence, we can come up with improved conditions and approaches—none of us—including the victims of poverty in America—invented it—our actions should in no way make us a party to perpetuating it.

OEO:	
Current funding	$6,200,000
Loss in dollars fiscal year 1974	[1] $2,547,080
Loss in employees (persons)	409
Manpower:	
Current funding	$24,510,051
Loss in dollars fiscal year 1974	[2] $12,353,723
Current manpower slots served	17,916
Estimated reduction slots	9,000
Health (number of projects):	
Current funding (15)	$9,035,441
Fiscal year 1973 net loss (7 lost) [3]	$2,580,568
Fiscal year 1974 net loss (44 lost)	$3,546,822
Total loss (11)	[3] $6,127,390
Loss in service (persons effecting)	75,000
Housing:	
(A) Moratorium proposed under 236, but not in pipeline:	
Construction units	5,390
Amount	$160,700,000
Rehabilitation units	2,306
Amount	$46,120,000
Total units	7,696
Total amount	$206,820,000
Estimated loss in jobs (materials and service dollars)	$145,474,000
Total	$352,294,000
(B) Model cities:	
Current funding (third year)	$5,600,000
Fiscal year 1974 loss at 55 percent spending authorization	$2,600,000
(C) Planned variations:	
Current funding	$7,000,000
Fiscal year 1974 loss	$7,000,000
Education:	
Title I (only)	$7,000,000

[1] Number of projects lost—9 (all in Community Action). Remaining projects to be housed after transfer to other Federal agencies. At present there is no indication as to percentage of dollar loss.

[2] Indicates loss of all EEA, NYC, and CEP money plus 15 percent cut in all remaining DOL money under present plan for Executive order Special Manpower Revenue Sharing.

[3] Includes $1.2 million in Hill-Burton Hospital Construction.

Other losses in Federal education money to be detailed in followup summary. At present there are 229 Federal funded programs in the city of Newark. The total Federal share of these programs is approximately $210 million actual loss for fiscal year 1974 based on above estimate of $38 million-plus does not include non-Federal share (local matching) or $352 million due to HUD moratorium.

FISCAL YEAR 1974 PROJECTED EFFECT OF BUDGETARY CUTS ON NEWARK'S COMMUNITY ACTION AGENCY (UNITED COMMUNITY CORP.)

Program	Fiscal year 1973 authorized program levels		Fiscal year 1974 net loss	
	Manpower	Funds	Manpower	Funds
General services	7	$30,943	7	$30,943
General services to senior citizens	94	214,908	94	214,908
Neighborhood centers	41	275,000	41	275,000
Neighborhood service centers	69	589,926	69	589,926
Newark legal services	32	[1] 343,171	32	343,171
F.O.C.U.S	67	48,858	67	48,858
Prevocational and vocational training	21	325,671	21	325,671
School age education	32	71,215	32	71,215
Central administration	46	647,388	46	647,388
Total	409	2,547,080	409	2,547,080

[1] With additional funds from: Schumann Foundation ($22,000), Essex County Bar Association ($9,500), New Jersey State Department of Community Affairs ($34,000).

FISCAL YEAR 1974 PROJECTED EFFECT OF BUDGETARY CUTS ON NEWARK, N.J., DOL MANPOWER PROGRAMS

Program	Fiscal year 1973 authorized program levels		Fiscal year 1974 net loss, funds
	Slots	Funds	
C.A.M.P.S		$107,500	$16,125
T.E.A.M	2,800	3,560,000	534,000
N.Y.C.:			
In school	509	379,205	56,881
Out of school	194	700,000	105,000
Summer	9,000	2,540,440	381,066
P.E.P	1,106	6,518,200	6,518,200
C.O.P.E.:			
In school	74	382,500	
Out of school	104	55,130	87,167
Summer	680	143,480	
Newark Street Academy	300	210,000	210,000
Welfare demonstration project	496	2,299,758	2,299,758
O.J.T	300	257,000	257,000
Chamber of Commerce (NAB)	944	3,012,000	1,163,404
NAB, administration		77,358	
MDTA Skill Center	1,200	3,032,000	454,800
North Jersey community miscellaneous manpower and employment	209	600,000	90,000
JOPS		535,480	80,322
Recreation support program		100,000	100,000
Total	17,916	24,510,051	12,353,723

FISCAL YEAR 1974 PROJECTED EFFECTS OF BUDGETARY CUTS ON NEWARK'S HEALTH PROGRAMS

Programs	Fiscal year 1972 authorized program levels (funds)	Fiscal year 1973 net loss (funds)	Fiscal year 1974 net loss (funds)
Columbus Homes Health Centers:			
HEW	$100,000	$100,000	
HUD	100,000	100,000	
Home management and training program (HEW)	34,193	34,193	
Health services management course (HEW)	16,375	16,375	
Nonemergency transportation (HUD)	30,000	30,000	
Martland Family Health Care Center (OEO)	275,000	275,000	
NJCU Health Center (OEO)	825,000	825,000	
Maternal and infant care—College (HEW)	599,157		$599,157
Family planning—College (HEW)	547,665		547,665
Mental health—College (HEW)	900,000		900,000
Lead poisoning and prevention (HEW)	350,000		
Health services delivery (HEW)	200,000		
Urban rodent and pest control (HEW)	520,000		
Mental health—Mount Carmel Guild (HEW)	1,500,000		1,500,000
Drug abuse—College (HEW)	1,238,051		
Construction of 3 neighborhood health centers (HEW)	1,800,000	1,200,000	
Total	9,035,441	2,580,568	3,546,822
Total, net loss			6,127,390

IMPACT OF MORATORIUM ON NEWARK—PROPOSED HOUSING PROJECTS IN NEWARK UNDER 236 PROGRAM AND NOT UNDER COMMITMENT BY FHA-HUD OR NEW JERSEY HOUSING FINANCE AGENCY, SUMMARY

Projects	Number of DU's	Construction costs	Loss of potential jobs, materials and services to Newark community
I. New construction:			
A	944	$28,320,000	$19,824,000
B	350	10,500,000	7,350,000
C	4,096	122,880,000	86,016,000
Total	5,390	161,700,000	113,190,000
II. Rehabilitation:			
A	1,894	37,880,000	26,516,000
B	412	8,240,000	5,768,000
Total	2,306	46,120,000	32,284,000
Grand total, new and rehabilitated housing units	7,696	207,820,000	145,474,000

Effect of HUD budget cuts:	
Model cities fiscal year 1974 at 55 percent funding	$2,600,000
Planned variation cut after fiscal year 1973	7,000,000
Subtotal	9,600,000
Total	451,894,000

A NEW FEDERALISM

FRIDAY, FEBRUARY 23, 1973

U.S. SENATE,
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:15 a.m., in room 3302, Dirksen Senate Office Building, Senator Edmund S. Muskie (chairman of the subcommittee) presiding.

Present: Senators Muskie and Metcalf.

Also present: Alvin From, staff director; Jane S. Fenderson, counsel; James E. Hall, counsel; David E. Johnson, counsel; Lucinda T. Dennis, chief clerk; George L. Beal, minority counsel; and Lorelei Williams, secretary.

Senator MUSKIE. The committee will be in order.

In light of the fact that yesterday we received the President's economic state of the Union message, I would like to make a few observations about that message as it relates to the context of these hearings.

OPENING STATEMENT OF SENATOR MUSKIE

First of all, the President implies in his message, as he did in his budget message, that his proposed budget offers us the only reasonable way to achieve the objectives all of us seek, of reducing inflation.

As a Member of the Congress, the body with the constitutional authority to appropriate funds, I reject that implication. I support the general idea of a congressionally fixed limit to spending. The Congress accepts its responsibility to set spending priorities and to match full employment revenues to Government outlays. But I cannot accept the strategy of ruthless cutbacks in programs to serve the needs of our people, continued increases in defense expenditures and continued tax favoritism for a few as the only acceptable game plan for fighting inflation.

And let us not forget that during this President's first term the Congress cut the President's budget by $20 billion and yet the Federal debt skyrocketed by more than $100 billion, and the Nation incurred nearly one-quarter of its total debt.

Second, the President, by shifty rhetoric and convenient omissions, fails to warn Americans that his holding the line on taxes will likely, in fact, mean higher State and local taxes, higher property taxes and higher sales taxes.

Since 1950, the President said the share of the average family's income taken for taxes in the United States has nearly doubled to more

than 20 percent. But what the President did not add is the fact that over the last 12 years Congress has actually reduced the Federal income tax rate and the bulk of that extra tax burden has come from increases in State and local taxes which have been increased on nearly 500 occasions during that same period.

The President likes to talk about getting the Government off the back of the taxpayer and out of his pocketbook. Well, I think it is time to put that in perspective, because I think what he is going to do is to put State and local government even more heavily on the back of the taxpayer and even more deeply in his pocketbook. And events since 1950 demonstrate that point.

As an example, in 1950, Federal civilian employment amounted to 2,117,000; in 1970, it amounted to 2,716,000. Let us compare that to the growth of State and local employment over the same period.

In 1950, total State and local government employment was 2,562,000; in 1970, it was 10,147,000.

If you look at State, local and Federal taxes as a percent of GNP, you have the same perspective.

In 1946, Federal taxes, as a percent of gross national product, amounted to 16 percent; in 1971, they had dropped to 13.6 percent.

State and local taxes, as a percent of GNP, amounted to 5 percent in 1946; 9.8 percent in 1971; and over 10 percent in 1972.

Then, looking at social security taxes which are becoming ever more regressive, in 1946, they amounted to 20.6 percent of GNP; in 1971, 25.4 percent of GNP.

Now, what these percentages indicate is that the tax load has shifted from the affluent to the low-income groups in our country.

That is the story, and the President proposes to accelerate that shift and to increase the burdens of those least able to pay taxes.

This one fact must emerge from this Presidential rhetoric about the dollar.

The President also conveniently ignores in his economic state of the Union message one fact that the mayors who testified before this subcommittee on Wednesday made perfectly clear: that if State and local governments are forced to assume the costs of heretofore federally funded programs to meet the needs of our people, State and local taxes will have to go up, and the already crushing burden of those taxes will have to be increased.

And, third, this President, from whom we have heard nothing but empty promises about tax reform, has the audacity to claim that if tax-cut proposals had not been adopted during "our first term," the average worker's pay increase last year would have been wiped out completely by increased taxes, and the taxpayers would have had to pay out an additional $25 billion in personal income taxes this year.

What the President fails to mention is that the greatest beneficiaries of his tax reform proposals were not working Americans but the corporations and the wealthy. And he conveniently ignores the fact that working Americans will pay nearly $10 billion more this year than last in the harshly regressive payroll tax, a tax that Senator Mondale and I proposed to reform in the last Congress and will seek to reform again this year.

Fourth, the President dismisses the charge that his budget shows the lack of compassion for the disadvantaged by claiming credit for proposing increases in expenditures for human resources.

I might point out that many of these increases that the President would now like to take credit for were enacted by the Congress, in spite of one dozen vetoes of human-resource measures by this President during his first 4 years. Many others were enacted over his opposition and threat of veto, and many of these increases, such as social security and medicare, are trust fund payments that the President has not yet asserted authority to control, although the latter are threatened by his budget proposals.

I thought that those insights on this snowy February morning might be useful as we consider the President's economic state of the Union message.

And it also makes the day brighter for me, as we begin.

Dr. Heller, it is a pleasure to welcome you this morning on a number of counts. These hearings are distinguished by your presence, but I think, above all, we are conscious of your connection with the general revenue-sharing proposition of some years ago. We are curious now to get your evaluation of it and its operation, especially in the hands of this administration.

Dr. Heller, it is always a pleasure to welcome you.

STATEMENT OF WALTER W. HELLER, REGENTS PROFESSOR OF ECONOMICS, UNIVERSITY OF MINNESOTA; FORMER CHAIRMAN, PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS

Mr. HELLER. Thank you, Mr. Chairman; Senator Metcalf.

I feel like saying "Amen" to your opening statement, and just quietly folding my hands and forgoing my own but, as you know, I would be untrue to my kind if I were to do that. So, since you have asked me to testify on the President's budget and its relation to revenue sharing, to the problem of federalism, and to the underlying questions of social priorities that are inevitably involved, I will make some introductory comments on that score. I appreciate your giving me special dispensation not to have a prepared statement this morning.

Let me say at the outset that Mr. Nixon's budget does raise many of the right questions. There is just one thing: in most cases it gives the wrong answers, at the same time, insisting that they are the only answers. I should perhaps recall that "most" means more than half—the budget does raise many meaningful questions that are worthy of critical reexamination.

But the President does not propose to reason together with a coordinate Congress in a rational process of budget reappraisal. You are more aware of that than I. He proposes to ram it down your throats. That invites regurgitation rather than digestion, hardly the most rational way to formulate a budget.

I would like to direct my comments to four main facets of the budget problem:

First, the violence that is being done to both the promise and the premise of revenue sharing.

Second, the lurch to the right in our social priorities and its implications for State and local budgets.

Third, the associated shift in tax burdens from progressive to regressive taxes to which you have already referred.

Fourth, some thoughts on an orderly way of going about pulling the Nixon budget apart and putting it back together again.

That is a tall order, and I will not do more than scratch the surface.

First, then, given a certain paternal interest in revenue sharing, let me consider what the Nixon budget is doing to that lusty fiscal infant.

Judging by the man-sized job that he is assigning to it in his budget, partly by design and partly by abdication of Federal responsibility for social programs, I would judge that Mr. Nixon has a short memory about the purposes and the pledges involved in the birth and gestation period of general revenue sharing.

After all, it was conceived to fill a gap in the family of Federal fiscal supports to State and local governments, to do something that categorical aids do not do and in their nature really cannot do. It was designed to provide direct general support to State and local governments to reduce the disparities in their abilities to provide public services—primarily services of the humdrum, prosaic, local variety, that are so terribly important to the quality of life, and yet are not suffused with the national interest, for example, garbage collection, police and fire protection, parks, and so forth. For the most part, these are quite local. They need more support. They are getting it in the form of general revenue sharing, and, now, the President is proposing to encumber it to support functions that really are suffused with the national interest and ought to be supported directly by categorical aids.

The second major function of general revenue sharing is to supply fiscal support in a way that strengthens the self-reliance and independence of State and local governments and thus develop the muscle of government close to the people. That, again, is something that categorical or special-purpose assistance does not do.

I would also remind Mr. Nixon that general revenue sharing was conceived as a net addition to the funds that the Federal Government is placing at the disposal of State and local governments, not as a replacement for categorical assistance.

The authors of the revenue-sharing plan, the Congress, and explicitly the President—explicitly in his appeal to the mayors to help him speed the birth of revenue sharing—all agreed that it was a supplement to, not a substitute for, special-purpose grants. And, yet, just a scant couple of months after the first payment, the States and localities are being told, in effect, "Now, about that money we just gave you to strengthen the sinews of your local services, we have a few national responsibilities we would like to get rid of and, since you are so flush, you take it from here."

So, the birth of revenue sharing is being treated as a basis for the justifiable homicide of various Federal programs.

Just to be a little more specific: General revenue-sharing is being cited as a basis for cutbacks, or axing, of the library programs, the open-space programs, the community-action programs. Even the dropping of the public-employment programs is defended by a fellow

panelist this morning, in part, on grounds that "general revenue sharing is now on the books."

[The following article was submitted for the record by Mr. Heller:]

[From the Minneapolis Tribune, Feb. 23, 1973]

DISMANTLING THE OEO

Not long ago, the Ramsey Action Program (RAP) in Ramsey County was being widely recognized as one of the most successful efforts in the nation to put federal funds to work helping the poor and powerless. Like the other social-service agencies established and funded through the U.S. Office of Economic Opportunity (OEO) in recent years, it uncovered and developed a new level of leadership in the communities it served (its current chairman, for instance, is an American Indian woman). Like the others, too, it experimented with innovative programs designed to bring new services and opportunities to people who lacked them before. But its success rate with such programs was above the average, and its degree of citizen participation was among the highest in the country.

Now, however, the future is bleak for RAP. Its funding will last only until April 1—or, if a possible extension comes through in time, June 1. Then funding stops. And when funding stops, so will most of RAP's services. Substituting local dollars for federal dollars seems unlikely; even revenue-sharing funds, which are supposed to take the place of specific grants, are largely committed to keep other programs going without tax increases, or to provide outright tax relief. Some OEO programs will move to other agencies—where they will have to begin again the process of conforming to new sets of regulations and obtaining new authorizations before funding is resumed. (When that happens, one RAP worker commented recently, the program usually dries up before the money starts flowing again.)

What is happening to RAP is bad enough; what is worse, however, is that the same thing is happening to OEO-funded agencies and programs all over the country, thanks to the Nixon administration's decision to halt federal funding of community-action programs—OEO's major effort—and to transfer OEO's remaining programs to other agencies. The administration's strategy for implementing that decision, disclosed in an OEO paper that surfaced last week, calls for the agency to scuttle itself by June 30, despite the vote of the Congress to extend it for a year beyond that date. "Under such a timetable," the OEO paper says, "it is unlikely that the opposition could muster enough strength or will to put Humpty-Dumpty together again."

If the OEO is dismantled, it will mean discouragement for the tens of thousands of Americans who have seen community-action programs as an indication that the government is willing and able to help them take their rightful, equal place in the nation's life. If it is dismantled in the fashion planned by the administration—so that the Congress will be confronted with a fait accompli—it will demonstrate anew the rising arrogance of the executive branch and the declining power of the legislative. The Congress must act quickly to force the administration to follow the legislative mandate to fund the OEO for another year. If the agency's programs need changing, a year would provide ample time to make the changes without, as the administration is now attempting to do, throwing out the successes along with the failures and—in the process—abandoning the poor and powerless.

Mr. HELLER. In short, revenue sharing is being invoked as a basis for transferring hitherto national responsibilities to the States and localities without transferring the funds to finance them.

In other words, I must sadly conclude that revenue sharing is currently being used by the White House as an excuse for a fiscal cop-out by the Federal Government. I hope that the Congress will prevent this and will keep faith with the basic philosophy and promise of revenue sharing.

In that connection, Mr. Chairman, may I submit for the record a superb article by Joseph A. Pechman, my partner in crime in these matters. "State and Local Finance Beyond Revenue Sharing," in which

he spells out—as well as it has been done anywhere—the difference in the purpose of revenue sharing or unconditional grants and the conditional or categorical aids. Rather than going through it orally, I would like to submit it for the record.

Senator MUSKIE. We are delighted to have that for the record; and it will be included, without objection.[1]

Mr. HELLER. Thank you.

Now, let me turn to the social priorities question.

What we find in the Nixon budget is that it is relentless, even ruthless, in pursuant of evil in social programs, public service jobs, health, pollution, poverty, education, and the like. But there is no comparable ruthlessness, no comparable relentlessness, in paring military fat or challenging tax favoritism.

Let me give you a few examples of this, if examples were really needed.

In spite of saving $3 billion to $5 billion on the end of the war in Vietnam the fiscal 1974 defense budget goes up over $4 billion for a total rise of some $8 billion in non-Vietnam spending. We have obviously gone through a watershed in military spending and are again on the way up the spending ladder—not just, as the administration would have us believe, to protect the military budget against inflation and to shift to a volunteer army but to build $1-billion-apiece nuclear aircraft carriers, $1.3-billion-apiece Trident submarines, $11 billion worth of B–1 bombers, and so forth.

So, the defense budget ought to be the first object of the disaffection of Congress in its reexamination of the budget priorities.

Second, the White House takes pride in noting that human-resource-expenditure dollars will rise faster than the military budget, but it fails to mention that the great bulk of that rise is in those social security benefits that are financed—"self-financed," as you have indicated—by a vast rise in payroll taxes, including a $10 billion payroll tax increase hitting us in the paycheck this year. The President tells us again and again that he is protecting us from tax increases; but the most regressive Federal tax is going up by $10 billion in this fiscal period.

In this connection, it may be worth taking a moment just to drive home what is really happening, by taking a global look at this supposed increase of $19 billion from fiscal 1973 to fiscal 1974 spending in Mr. Nixon's budget, $19 billion looks like a huge increase, and it is cited as evidence that Mr. Nixon is not being unkind to social programs, but let's look at the facts.

Mr. Nixon wants to hold his present budget, fiscal 1973, to $250 billion. Now, part of that is done by gimmicks, by postponing the revenue-sharing payments, by selling more offshore oil leases, by selling mortgages at a fast clip. I do not mean to say that he invented these particular tricks, but he has achieved new heights in the art of budget gimmickry.

So, if one takes the gimmicks out, the fiscal year 1973 expenditures are actually $255 billion. I am using $5 billion for gimmicks; some people use $6 billion. I am, as always, being conservative. So, we will take 5 off the 19 and that gives us a $14-billion real increase.

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[1] See p. 380.

Now, 4 of that is for the military; so, that leaves $10 billion.

Another 2 is what you have to pay for higher interest rates on the debt. That leaves an $8 billion increase.

Now, subtract the $10 billion of mandated increases in social security programs and in Federal grants for adult welfare, and you come out with minus $2 billion for all other civilian programs. That simply disproves the proposition that we are increasing expenditures for human resource programs other than those that are self-financed from payroll taxes.

To go on, Mr. Nixon's budget mentioned nothing about a possible $7.5 billion of rehabilitation aid to the two Vietnams. Second, he mentioned nothing until yesterday about property tax relief, though last October 7 he said that was going to be "the first order of business in our next budget."

And, third, a year ago, the President said we had to press ahead on welfare reform, that any delay would be "unwise" and "cruel," yet his budget is mute on this subject.

Further, Mr. Nixon wrings his hands over our unbearable tax burdens. You will remember that he said recently, "More important than more money to solve a problem is to avoid a tax increase." Especially after $50 billion of Federal income tax cuts in the past 10 years, including $25 billion—as he mentioned in his message yesterday—during his first term, that strikes me as a very strange set of priorities.

I have been studying taxes, and especially State and local taxes, longer than I like to think. It goes back to 1935. And from the outset, I have heard that the taxpayer is groaning under an absolutely "unbearable burden of taxes" which could not possibly be increased without endangering the Republic. That issue is as old as the hills, and Mr. Nixon is capitalizing on it, perhaps, by appealing to people's self-interest—not self-reliance but self-interest.

In the context of Mr. Nixon's confident assertion that people are against more social spending, it seems to me that he ought to look at the latest Harris poll on domestic spending. On the question: "Are you in favor of increased or decreased spending to curb air and water pollution?"—66 percent of the respondents said they are in favor of an increase, and 27 against. On Federal aid to education, 66 versus 27. On helping the poor, 62 versus 31. Only 29 percent agree on cutbacks in the Jobs Corps, 85 percent on cutting Headstart, 24 percent on hospitals, 18 on free milk, and 5 on medicare cuts. Clearly, on many fundamental social programs, the people are in favor of greater—not lesser—spending. There's no mandate here for the meat-axe and the machete.

Nor is it to be found in congressional elections last November. A strongly Democratic Congress was returned to power. And at the same time, 75 percent of the $5.3 billion of spending initiatives on the State ballots, were approved.

Now, let me turn briefly to this question of how one might rationally take the budget apart and put it together again.

First, we need to recognize that the jobs that Government is doing today are far more complex than they were 10 to 20 years ago. We surely should not substitute for the old proposition that "if, at first, you don't succeed, try, try, again," the new slogan "if at first you don't succeed, give up." The task of curbing water pollution from 40,000

different sources, or upgrading the education of the disadvantaged, or assuring decent medical care for the aged is certainly far more difficult and demanding than the older jobs of simply transferring funds to the unemployed, or building highways, or building dams. So let's start out with lesser promises and greater patience.

Second, I think we need to sort out various functions of the Federal Government and decide more rationally what the Federal role should be. We should decide where direct income support is best, as in the case of the aged and the blind and the working poor; in which areas we need actually to supply critical services like medical care for the poor: In what other areas the Federal Government has a leadership role to play as in agriculture and health care where the major role may be to increase supplies and improve productivity. Then, in implementing the "new federalism," we have to make a sharp and clear distinction between (1) those areas in which the Federal Government should be reducing the great disparities in the ability of local units to supply Government services, and that is revenue-sharing's function, and (2) those other areas, in services like education and health, and so forth, where there is a large geographical spillover effect, where the national purpose can best be served by categorical or special purpose grants, specifying not so much how the money should be spent but where and on whom it should be spent to carry out the national purpose.

Third, once the priorities of Mr. Nixon's budget are recognized as other than God-given, the money will have to be pried loose for such thrusts as a better welfare system, decent health insurance, major efforts to equalize education, restore hope and opportunity to the inner cities and ghettos. That will require invading the sanctity of the military budget and the tax sanctuaries that are left untouched in Mr. Nixon's program.

I know that you, Mr. Chairman, have an extensive program on tax reform, that's hard to beat. Each one of us has his own program, and I have one that I would like to submit for the record.

[The following was submitted for the record:]

A Program To Raise $27 Billion (or Less) of Added Federal Tax Revenues in 1974

(Submission for the Record at Hearing Before the Joint Economic Committee of Congress, July 27, 1972)

Three main objectives would guide me in framing a program to raise added Federal revenues:

Fairness: Persons in similar economic circumstances (chiefly, as to size of income and extent of family obligation) should be taxed equally.

Progressivity: New tax legislation should seek a significant increase in the relative tax burden on the upper income groups, whose share of the total burden has been reduced by (a) income tax cuts, (b) use of tax shelters, (c) the rapid growth of regressive payroll taxes.

Economic Efficiency: Tax changes should promote economic efficiency in two senses, first, that tax preferences which pull resources from their most efficient uses should be reduced or eliminated, second, that marginal tax rates be kept within bounds that preserve incentives to work, save, and invest.

For purposes of indicating the directions in which planning for Federal tax increases should go, I have put together the following program on the "high" assumption that a $27 billion tax increase might be needed by 1974 if we are serious about financing our Federal social programs responsibly and in addition providing significant local school tax relief. If less revenue were needed, I would

start with the program of structural tax reforms and then rely on individual and corporate tax increases across the board for the remainder of the needed funds.

Proposed tax action:	Added revenue (in billions)
1. Structural reforms to reduce income tax preferences ("loophole plugging")—see below	$12
2. Across-the-board increase of 2 percentage points in individual income tax rates resulting in a new schedule running from 16 percent to 72 percent (on a taxable income base of roughly $550 billion by 1974)	11
3. Across-the-board increase of 4 percentage points in corporate income tax (on a taxable income base of roughly $100 billion by 1974)	4
Total	27

The structural reforms to narrow or eliminate various tax preferences would include sugh high-priority items as the following:

Proposed tax action:	Added revenue (in billions)
A. Removal of accelerated depreciation provisions of the Revenue Act of 1971 (ADR's)	$2.5
B. Capital gains package—tax unrealized gains (above, say, $5,000) at gift or death, boost the inclusion rates of capital gains from 50 to 60 percent, and remove the alternative tax	2.8
C. Eliminate deductibility of gasoline tax	0.5
D. Remove various real estate tax shelters	0.7
E. Cut excess depletion deductions in half	0.6
F. Remove $100 dividend exclusion	0.4
G. Broaden coverage of present 10-percent tax on preference income and raise rate to one-half of regular tax rates (for individuals and corporations)	4.5
Total	12.0

In putting together a program to raise as much as $27 billion of additional tax revenue by 1974, I have probably gone beyond the tolerance of the Congress and the country for added tax revenue. But since the question pertains to the direction of tax increases rather than a precise program, I felt it desirable to use a large enough figure to illustrate a rather wide range of possibilities. However, as noted above, the top priority under the three objectives set forth at the outset should be placed on the structural tax reforms. They deserve to be the first order of business by a White House and a Congress interested in fairness, progressivity, and economic efficiency.

Mr. HELLER. Clearly, we ought to cut the tax giveaways, the tax havens, the tax shelters. That's the best way to get added tax dollars. But if that fails, against the background of $50 billion of tax cuts in the past decade, we could even stand a rate increase without getting out of line either with ourselves or with the rest of the world. I do not suppose it is of much solace to people, especially with our move toward a regressive tax system, but the U.S. tax burden is about 28½ percent of the GNP. With the exception of Switzerland and Japan, that is the lowest ratio of taxes to GNP in the modern world. The typical ratio in other advanced countries is 32, 35, 40 in Western Europe, and so forth. There is no reason, if social priorities demand it, that a tax increase should be such a dirty word.

Now, clearly, we ought to get it in a way that improves progressivity and removes special tax favors. So we ought to get it through tax reform, but if we do not, what I am saying is: Per se, a Federal income tax increase would not be a major crime nor even a major sin.

Given unrelenting social needs and growing inflationary pressures, it would be the path of virtue.

One final word on the numbers, as a supplement to what you were saying, Mr. Chairman. I wonder how many people realize what has happened to the level of Federal spending as a percentage of GNP over the years.

To listen to Mr. Nixon, one might think that this Federal colossus, this octupus, was engrossing the economy and the body politic in an absolutely unbearable upswing of Federal expenditures.

But in fact, Federal expenditures relative to GNP were 21 percent in 1953, 20 percent in 1963, and 21 percent in 1973. In contrast, the State and local ratio to GNP—and this will not surprise you, I am sure—doubled from 7½ percent in 1953 to 15 percent in 1973.

Now, there is some overlap between the two because of Federal grants, and so forth, but it does show where the pressures are.

Some people say: "Oh, but the State and local governments are in clover now and their problems are solved." True, there is a good crop of clover right now, but we are going to have much sparser crops in the future.

Why are many States and localities in clover right now? There are three reasons: (1) There were big tax increases at the State and local levels in the midst of the 1970–71 recession; (2) we are in a strong economic upswing; and (3) revenue sharing was instituted this year with a double ration of payments. These are essentially one-shot things.

Let me add that in my many years of work in this field, I have yet to see a projection of State and local expenditure needs for any reasonably distant future date, say 5 or 10 years, that did not undershoot the mark. I use the "knock-on-any-door" test to supplement the estimates: Knock on the door of any mayor or of any Governor, and one finds vast unfilled needs standing in line that do not get into the statistical projection. It is simply wrong to assert that State and local financial problems have been resolved and that, therefore, the Federal Government can now load all kinds of functions on the State and local governments without sending along the money to pay for them.

Senator MUSKIE. Thank you very much, Dr. Heller. You gave the statistics on what has happened to Federal spending as a percent of GNP, and State and local spending as a percent of GNP, and the figures I gave earlier this morning supplement that. I was reminded that it was figures like these that were used as a basic argument for general revenue-sharing, first by many of us who were for general revenue sharing before the President was, and, second, the arguments that he picked up and used on the Hill when he was for revenue sharing.

Now, he conveniently ignores the same statistics which were the basis for general revenue sharing as he proposes to accelerate the trend of a quarter of a century which led to the argument in the first place.

On the question of who is in clover, is it not necessary to distinguish between the present fiscal condition of the States and the cities?

Mr. HELLER. Well, the cities——

Senator MUSKIE. Most of the figures we get are State and local combined. Actually, at the present time, combining them tends to unduly

distort the bright side of the picture so far as local government is concerned.

Mr. HELLER. That is a good point, and, in a sense, I should stand corrected on that, because it is the State revenue sources that are more responsive to economic expansion, and to recent tax-boosting legislation. Insofar as States have graduated income taxes, they are even more responsive in percentage terms to expansion in the economy than the Federal income tax. The local governments, in contrast, are primarily tied to the property tax, which is not blessed by this automatic response. And the cities are cursed by continued problems that I do not need to dwell on, since you have had the mayors here to tell you in graphic terms what they face. So, you are quite right in making that distinction between those two levels of government.

Senator MUSKIE. You gave figures on the increase in State and local spendings as a percent of GNP which show a doubling over 20 years. If that line is projected into the future it would quickly pick up this present slack in revenues that is evident, and I think that is another factor.

Mr. HELLER. Yes. I doubt that we are going to have as rapid an increase in State and local spending in the next 10 years or 20 years as we have had in the past, partly because of demographic changes.

But with the shift of emphasis to improving the quality of life, and given the continuing deficiencies in State and local infra-structure, there are greater expenditure demands lurking in the shadows of State and local budgets than many statistical projections have embodied.

You mentioned earlier the tendency to move from the progressive Federal taxes to the regressive State and local property, sales, and excise taxes. Even at the Federal level, a substantial shift toward regressivity has been taking place.

Let me demonstrate this by comparing collections from excise, personal income, corporate income, and payroll taxes as a percent of total Federal tax revenues in 1969 with those in 1972, the latest year for which we have a reasonable approximation. Excise taxes, 13 percent in 1960, 12 percent in 1972. Not much change. Personal income taxes, interestingly enough, 44 percent in both years. Corporate income taxes, 25 percent of our total revenues in 1960, 17 percent in 1972. Payroll taxes, 18 percent in 1960, 25 percent in 1972. Putting those in direct juxtaposition, one sees the payroll tax supplanting the corporate income tax as a Federal revenue producer.

Senator MUSKIE. On the question of the budget, there are some omissions that you touched upon but I would like to have you touch upon a little more thoroughly. As I think of the President's promises and his sense-of-urgency curve over the last 4 years, I think of several items—and you have mentioned some of them that we have heard were terribly urgent at one time or another—that appear to be ignored in his budget. One is property tax relief. Yet, the effect of this budget obviously is to suggest that the property tax burden is going to be increased, not relieved. Then, there is welfare. To what extent has that promise been kept?

I think there is a tendency on the part of the administration to rely upon social security benefit increases as a fulfillment, in part, of this promise. That is going to be scrubbed, too.

There is his promise last year of a health insurance proposal for which there is no provision, whatsoever, as I can see, in this budget. Yet he eliminates health programs in the budget. That might be justified if there were something to take their place. There are other omissions of this kind in his budget to pinpoint in terms of his own promises and his own explicit description of urgently needed national programs.

Mr. HELLER. You have put your finger on the major ones. It is worth remembering that Mr. Nixon, on a swing into the Northeast last year, made a dramatic promise to cut property taxes drastically. He made a flat promise that he was going to equalize school property taxes and, in the process, would cut them by some 40, 50, or 60 percent. He has backed off from that and is now proposing—and we are not for the moment even talking about the merits of these proposals; we are talking about the promises he has made and not kept—some property tax relief for the elderly, and that certainly is highly desirable. But the net effect of his 1973–74 programs, as you point out, would be to increase, not decrease, property taxes.

Second, on welfare, one of the really welcome and constructive initiatives of the Nixon administration was the family assistance plan, which would add several million dollars to the Federal budget. In effect, the President is saying now: "If you decide to do it on your own initiative, in Congress, cut out some other social programs instead of either cutting the military or getting some money out of tax reform, or increasing income taxes."

And we ought to mention aid to North Vietnam and South Vietnam, where Mr. Nixon and Mr. Kissinger have been throwing out a $7.5 billion figure—the $7.5 billion has been mentioned often enough so that it comes out to be something like a commitment. Again, the Congress is being invited, implicitly or explicitly, to provide that relief out of domestic, social programs.

Senator MUSKIE. Mayor Alioto the other day suggested that there were just two mayors who were happy with the budget: the mayor of Saigon and the mayor of Hanoi.

Mr. HELLER. I do not know whether they have a very large vote.

Senator MUSKIE. I wish I had thought of that line, myself.

Getting back to these promises that the President conveniently forgets and is never politically penalized for. He mentioned property tax relief yesterday and said:

> I shall also submit recommendations for alleviating the crushing burdens which property taxes now create for all Americans.

Do you have any notion where it is going to come from?

Mr. HELLER. Well, I would suggest to the Congress where it might come from. I rather fear what Mr. Nixon is asking you to do, in effect, is cut back even more the provisions for water pollution, sewage treatment, and social programs.

But, while I am no expert on military expenditures, there are a few things that strike even the layman as fertile ground for growing a fat crop of budget cuts. There are more three- and four-star generals on active duty with 2.3 million men in uniform than there were in World War II with 13 million men in uniform. The ratio of officers to enlisted men is incredibly high and rising. As I am sure you are aware,

we now have 6,000 strategic nuclear weapons and the budget proposes to raise that to 10,000 by 1976 under the Nixon administration. In terms of the balance of nuclear terror, I understand that we could wipe out both China and the Soviet Union with perhaps 2,000 of them, or 1,000, and that we are far ahead of them in missile power.

It is a curious thing, at the very time that Mr. Kissinger comes back from Peking and tells us how much improved our relationships are, the Navy announces that it is going to put the Trident submarine in the Pacific at $1.3 billion apiece. The Trident missile could be put in the Poseidon submarine, but, instead, we are going to build this behemoth—of a size which I understand will be larger than any Soviet ship afloat, let alone under sea. Yet, the Navy is going ahead with this program as if it were a fait accompli.

I suppose one should always identify one's personal or self-interest in these matters. We happen to have a cottage 2 miles from Bangor, where they have sited the Trident submarine base out in the State of Washington, and, so, I am a little more familiar with that.

Senator MUSKIE. You would not know what you might run into when you were out swimming.

Mr. HELLER. That is exactly true. So, as I say, one ought to identify these things.

Defensive overkill also seems to characterize the nuclear aircraft carrier. Or perhaps it's just plain obsolescence as in the case of the $11 billion proposed for the B–1 bomber. As a novice in this field, I'm told that the B–52 bombers could be adapted to do most of the things that, by and large, obsolete bombers can do in an era of missiles and nuclear warfare. So the Congress is being asked to sign on to simply fantastic expenditures in the military area. I should think that Mr. Nixon's slashing budget cuts provide an occasion to examine the military budget even more closely than Congress has ever undertaken before.

That raises the whole question of Congress equipping itself with the staff and procedures to put itself on an equal footing with the administration in the examination of the budget, both in setting ceilings and examining specific budget proposals.

Senator MUSKIE. Could I ask you something, Dr. Heller?

We shifted to the unified budget about in the late sixties.

Mr. HELLER. Yes.

Senator MUSKIE. I think it would be helpful for the record if you could provide some indication of how today's budget compares with, say, the 1960 Federal budget in terms of what it was at that time.

I think it was about $100 billion then—or maybe less, $90 billion.

Mr. HELLER. Let me see. As I remember, the great effort to keep the budget under $100 billion was focused in 1963 or 1964. But that was the administrative budget, was it not?

So, in terms of the unified budget, we were probably around $100 billion in 1960. That would be a good guess.

(Fiscal 1961, unified budget outlays were $97.8 billion.)

Senator MUSKIE. What troubles me about the present budget is that the President is claiming credit, and I do not care about the political credit, for impact upon problems like social security, which were not part of the budget in 1960. But when you measure the increase of the

Federal Government's contribution to those problems in terms of this budget, which includes some obscurity, you are really comparing apples and oranges, or apples and grapefruit, with something bigger, but not really making a comparison with the increase in the Federal Government's assumption of responsibility.

Mr. HELLER. I do not have the numbers at hand, but much of that total increase in human resource expenditures to which the President so often refers traces directly to the self-financed social security system, where the recent benefit increases were forced under a reluctant President. I know that he emphasized to the voters that he signed the bill——

Senator MUSKIE. His reluctance disappeared a month before election day.

Mr. HELLER. I leave that judgment to you! But just let me see if I have the numbers.

Well, from fiscal 1961 to fiscal 1974, the expenditures for an "income security" have risen from $21 billion to a projected $82 billion, or fourfold.

So, a great part of the increase is in the contributory system of social security benefits.

Senator MUSKIE. I would like to focus, if I may for just a moment, upon the impact of these cuts in social programs. It is pretty difficult to get the full impact of the cuts in the first year. But you really have to look ahead 2 or 3 years.

In real terms, the full impact of these cuts will be felt in the third year, which would be the 1975 fiscal year if we count 1973 in. And the cuts would be about $15 billion. Would that coincide with your projections?

Mr. HELLER. Yes. I have some numbers on that, that show that in the fiscal year 1974, comparing the previous projected numbers with Mr. Nixon's newly cutback expenditures, there are about $9 billion directly attributable to these cutbacks in social programs. The rest is in agriculture and the like. The $15 billion strikes me as very close to the right number for fiscal 1973. Looking at Mr. Wood's testimony, I see that he is going to deal further with that; so, if I can sign off on that one, I would prefer to.

Senator MUSKIE. All right. I will not get into the details, because I want him to do that.

But what this $15 billion cut means is that either we are going to lose the benefit of those programs, or that State and local governments will have to pick them up——

Mr. HELLER. That is right. The problems are there.

Senator MUSKIE. That means that their tax systems will have to pick up $15 billion to $16 billion of the burden as the result of these cuts.

Mr. HELLER. Either that, or we abandon the beneficiaries of those programs to their fate. I mean, we just say, "This is it." It is a very curious thing. After all, one of the reasons for introducing revenue sharing—and I think we all stressed this, and I do not think any of us have to give away anything to Mr. Nixon in our concern for building up the strength of State and local government—was to promote decentralized government close to the people.

The idea was to let them have money without strings attached so that Governors and mayors could spend this money in beefing up their local services and State services without being defeated at the next election.

Now, they have had this money for just 2 months. I doubt that the renaissance of the State and local governments that this is supposed to touch off, has gone so far that they have now become more efficient vehicles for carrying on these programs than the Federal Government.

The proposition that because programs have not been perfectly efficient at the Federal level, we should either abandon them or pass them along to the State and local governments, is simply an unproved and unwarranted assumption.

There is some sort of a circuitbreaker in White House thinking on this subject that simply takes leave from the facts, both in terms of fiscal capacity and in terms of delivery capacity, at the State and local level. Just because the Federal Government does not have it is hardly proof that the State and local governments do have it.

Now, again, I do not mean to deny that Mr. Nixon has put his finger on a number of programs that either have outlived their usefulness or have been run inefficiently. But the reaction to that, especially on the second category, should not be simply to drop them but to redouble our efforts. After all, the genius of a Republican administration is supposed to be that they are good business managers, that they are efficient, know how to do things better than the Democrats do. That should not lead them to drop the programs, but to make stronger efforts to do them more efficiently. The problems are still there. They will not go away because the programs go away.

Senator MUSKIE. When you talk about the impact of these program cuts, that does not touch another action taken by this administration; that is, the actions taken with respect to housing programs.

I would like to state for the record that the impact of the 18-month housing moratorium on my State, which is a small State, is to completely destroy $100 million in housing programs that would otherwise have begun in the next 18 months. And $100 million of housing in a State of 1 million people, with a housing deficit of 65,000 units, is a massive impact. It means 5,000 jobs, incidentally, as well as diminished economic activity on that scale. And what it saves in Federal money is $7 million. So, by eliminating $7 million, for which there is no pickup at the State and local level, this administration has destroyed $100 million of housing construction in Maine, the additional needed units to supplant substandard units, and the loss of 5,000 jobs in a State where the unemployment rate is still 6½ to 7 percent. That impact is not measured at all in this budget because it is not reflected there. I wondered if you wanted to comment on that?

Mr. HELLER. Again, Robert Wood will address himself further to this question, and he is far more qualified than I, but I would say a couple of things.

There has been a lot of talk about inefficiency, corruption, et cetera, and the fact that in the housing program a lot of money has gone to the wrong people. But the truth of the matter is that we have built 250,000 units of housing under that program last year. Again, I should think that the objective should have been to improve it and tighten it

up and perhaps put more emphasis on the income supplements and rent supplements and so on, and not simply say "Stop" at this point.

Now, second, what troubles me even more is that the most inefficient subsidies for housing are in the tax system. I—again being conservative in these matters—thought they were worth about one-half billion dollars. I see that your staffed-out number is $1.1 billion of special tax subsidies in the form of accelerated depreciation and capital gains treatment and the expensing of what are essentially capital items. The projects that are put together under that program are really far more a way of enriching the high-income taxpayer than they are for providing housing for the poor. If we have a sensible sense of national priorities, the first thing that should go is those "tax expenditures," those tax giveaways. After all, they are just as much a charge on our budget as direct subsidies. Algebraically, whether you cut down the inflow or increase the outflow, it is identical. That is what ought to go first. That is left absolutely untouched by Mr. Nixon's budget. I see no justification whatsoever for that, and I hope the Congress will straighten him out for this point in particular.

Senator MUSKIE. If we can find a handle on the answers.

I will ask one more question. In the light of what has happened to general revenue sharing, in the light of the President's broken promises not to treat it as a substitute for categorical aid, and, as a result of the fact that it leads to dismantling of these categorical programs, conceding that some could be dispensed with, what would be your recommendation to the Congress with respect to general revenue sharing at this point?

Mr. HELLER. Well, my recommendation would be, basically, to enforce upon the President, if there is some way of doing it, the carrying out of the fundamental premise and promise of revenue sharing. That means maintaining it as he promised, and as everyone premised, as a supplement to other funds, not freighting it with responsibilities and burdens that the Federal Government is shucking off. Its purpose was to help support State and local functions, not to carry out functions of a "spillover" nature in which there is a supervening national purpose. For these provide a system of categorical aids specifying on whom they are to be spent and where they are to be spent, and not trying to dictate quite so much how they are spent.

There has to be, along the lines of one of your proposals, somewhat more elbow room, more give in those aid programs. That does not mean opening them wide and saying:

> We are going to set up a special revenue-sharing pot that batches all of these educational aids together and we hope you will spend them for the disadvantaged, but if you do not, in your wisdom, that is all right with us.

That would pervert the concept of Federal aid to education, which is designed explicitly to do a job and carry out the national objective of lifting up the poor and giving them a better educational opportunity. If we leave too much leeway to the State and local governments—oh, if you leave it to Minnesota, we will do the right thing, but there are a lot of others that might not——

Senator MUSKIE. I am sure, also, Maine.

Mr. HELLER. But there are other States that would not.

I do want to make one final comment, if I may, Mr. Chairman.

Senator MUSKIE. Yes.

Mr. HELLER. My comment concerns one program that strikes me as the epitome of the inconsistency of the Nixon administration; namely, its beheading of the community action program. Here is a program that, after many trials and much error, I will admit—it was a trial-and-error program and it was so conceived—was making steady progress in this complex and difficult task of helping the poor help themselves. And a utilization survey of 591 of the community action agencies has just concluded that the program was constructive, that it offered genuine help in making the decentralization of government effective. Let me use their exact words:

"Genuine help in making the decentralization of government succeed during the next few years"—one of the objectives Mr. Nixon has most strongly underscored. "The picture"—and, again, I am quoting—"clearly shows that the administration's redirection of community action is on target."

Now, ironically, here is a President, professing a deep commitment to decentralization and to citizen participation, about to kill one of the few programs that was making documented progress on both fronts. Even more revealing of the administration mentality is its sly directive to scuttle the OEO before June 30 before the Congress can do anything about it, before its supporters—and I quote—"can muster enough strength or will to put humpty-dumpty back together again."

Add the statements by the executor of the program—or the executioner of the program—Howard Phillips—that he will liquidate the program with relish, and I must confess that I am depressed to close with this.

Senator MUSKIE. I am delighted you closed with that, and I will include in the record, if there is no objection, that survey.[2] I would like to read this sentence from it which buttresses what you said.

> It is already producing highly constructive mission results in both urban and rural communities, and the trends indicate that continued effort in this direction will produce substantially greater returns on a small investment.

Now, that certainly supports your conclusion, Dr. Heller, and I cannot think of a better motto on which to end your testimony. I am very grateful.

Mr. HELLER. Thank you.

Senator MUSKIE. Our next witness will offer slightly different perspectives on the issues. He is Richard P. Nathan, senior fellow at the Brookings Institution, and a former Assistant Director of the Office of Management and Budget and a former Under Secretary of HEW.

Mr. Nathan, it is a pleasure to welcome you this morning.

STATEMENT OF RICHARD P. NATHAN, SENIOR FELLOW, BROOKINGS INSTITUTION; FORMER ASSISTANT DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, AND FORMER UNDER SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. NATHAN. Senator, I appreciate the opportunity to talk today about issues and themes of domestic policy, particularly focusing in these hearings on what is referred to as the "new federalism." What

[2] See, "Utilization Test Survey for 591 CAA's, January 1973, Office of Operations, OEO," p. 392.

I would like to do in my testimony is to speak from my prepared remarks but not to read the whole statement. So, I have materials for the record which include the statement, and I do not think it is necessary to read all of it.

Senator MUSKIE. All right. All of those materials will be included in the record.

Mr. NATHAN. I would make one preliminary comment, Senator. You asked Professor Heller about the unified budget. There is data in the 1974 budget that shows that in 1960 expenditures under the unified budget were $92.2 billion as compared today to a proposed 1974 budget of $268.6 billion. So, the comparison between 1960 and 1974 is $92 to $268 billion, which is probably the material you wanted from Professor Heller for the record.

Senator MUSKIE. I would like to have a breakdown on that so that we could see what elements of the unified budget have grown and where there has been a great growth in the social security part of the budget. I have only a vague impression, and I would like to see the elements broken down so we could see where the growth has been.

Mr. NATHAN. Those materials are also available.

I want, in my testimony today, to try and state and to analyze systematically what I consider to be the main purposes and principles embodied in the so-called new federalism program. I will try to pull this together analytically so that the committee will have, if you want to say, an intellectual base, which I hope will be useful. It is worthwhile to begin with some historical perspective.

This committee, and yourself, Mr. Chairman, have been concerned over the past decade about the nature and trend of American Government and particularly American federalism. We live in a highly technological society and in a very large Nation. There has been a strong tendency in many areas of our national life for organizations to become bigger, more centralized and more specialized. The obvious question for democratic theory and for a democratic Nation in these developments is: How does the individual count in this kind of a society? How is he able to develop and express his own preferences and his own ideas?

I think that many people who have been looking at these issues recognize that over the past decade there has been growing dissatisfaction, particularly with Government as Government becomes larger and more centralized, and, as a result, more impersonal.

In this context, thoughtful public leaders on both sides of the aisle politically have been working for the past decade with ideas to reform Government—to enhance the ways in which the individual as a citizen can influence governmental processes.

In my view, Mr. Chairman, the new federalism is a logical extension of many of the ideas that have been percolating up to the political surface since 1964. The basic premise is not—and I think it is important to start with this negative—that all responsibilities of the Federal Government in domestic affairs should devolve to States and localities. These new policies involve much more than just putting the money on the stump and running, which is an expression that many of us have been using for quite a long time.

Since 1969, the key idea of the new federalism has been the need to sort out governmental functions more carefully, to rationalize the roles

and responsibilities of the different levels of Government in our federalism. Although there is always a tendency to simplify political themes, President Nixon's ideas on domestic policy going back to the 1968 campaign involve much more than just shifting power away from Washington. The President discussed his ideas on domestic Government in 1968 in a manner which foreshadowed proposals he would later make as President to assign a stronger role to the Federal Government in selected fields where National Government action is deemed needed and appropriate. Mr. Nixon specifically related his ideas on the need for stronger Federal action in selected fields to his advocacy of decentralization. He said in his national radio address on domestic policy, September 19, 1968, that one of his main purposes in decentralizing power would be "to concentrate Federal action on those functions that can only be handled at the Federal level."

The point is that although the President has spoken often of policies to reduce the effects of centralization and specialization in government, his program does not simply reject central government action for every situation but rather involves decentralizing some programs and reforming and centralizing others. While the criteria are not systematically arrayed as they might be in an academic exercise, I think a reasonably coherent strategy has emerged in the administration's various domestic reform proposals for—as I used the phrase before—sorting out programs to be selectively decentralized and those where reforms involving stronger Federal Government action are deemed appropriate.

Mr. Chairman, in my written testimony there is a series of quotations from various documents which build on this basic theme of sorting out responsibilities and rationalizing who does what in our governmental system. Many of us have commented that when you have a system that has grown like it has in the domestic sector in the last three decades with every level of government increasingly responsible for every function of government, that the difficulty is the citizen does not know who is really handling a particular issue; no level of government is fully accountable for what gets done and to see that it gets done properly.

Mr. Chairman, I find it useful as a participant who was working on these issues, and now having had a chance to look back and put some of these ideas together, to present a framework of principles or what might be called decision rules for understanding how the administration has made delineations to sort out national functions from the functions where decentralization policies have been emphasized. I have in my statement seven principles or decision rules of the new federalism which I would emphasize are my own construct. They are not stated in this way in any comprehensive policy paper that I know about issued by the administration.

The first of these decision rules is that income transfers to people should be given greater emphasis as the main way to help the poor. This is known as the income strategy, and I will speak about it in a few minutes in more detail and relate back to some of the comments made by the previous witness. The income transfer function, both cash payments and what are called in-kind transfers, such as medical care and food stamps and scholarship aid, should, under the theory of the new federalism as I understand it, be carried out in large

measures as National Government responsibilities because of the variation in wealth among the States and because of the ease with which people, rich and poor, can move from one place to another.

The second decision rule of the new federalism, again as I construct it, is that what we would call human service programs to aid the poor and others who are deemed appropriate to be assisted should be regarded as primarily State and local functions. Financial support—and this is a very important point, Mr. Chairman—financial support from the Federal Government for these kinds of activities is appropriate, but it should be provided on a broad basis which leaves for the recipient jurisdictions wide discretion in policymaking and administration for these programs. Examples are education, manpower, social services, and public health.

As I see it, Mr. Chairman, when one talks about a function of domestic government, one is really talking about three kinds of processes: (1) to fund it, (2) to make policy, and (3) is to administer it. What is really involved in these new federalism ideas is that the policymaking role and the administrative role should be primarily State and local in these areas. While the Federal Government provides fiscal subventions—financial grants—its role in policymaking and administration under categorical aid—which one distinguished professor once referred to as the hardening of the categories—that kind of influence needs to be relaxed.

The third principle of the new federalism is that community service program is also predominantly a State, local function where again, financial assistance can appropriately be provided, and should be provided, but on a broad basis, according to overall community needs. I will say more about this in a minute as regards urban special revenue sharing. This category of community services, for example, includes police protection, fire protection, garbage collection, urban development, transportation, zoning, and code enforcement.

The fourth rule of the new federalism is that certain broad interarea environmental functions where problems or needs spill over to a significant degree among regions, such as air and water pollution control—and I have reference to national parks as a similar kind of a function—are fields of governmental activity where Federal intervention through rulemaking and specifically targeted financial assistance and spending are appropriate. I think this is an area many members of the committee are interested in, and I know, certainly, you are, Mr. Chairman.

Senator Muskie. Could I interrupt just for a question to clarify, from you, your concept?

I am interested in getting some expression as to the extent of the supportive role of the Federal Government in these four areas.

Now, with respect to the first, you indicate that it is largely a national government responsibility, and I assume you mean largely in terms of Federal financial support?

Mr. Nathan. I would there include, Senator, financing, policymaking and administration, and we are clearly moving in that direction.

Senator Muskie. With respect to the second, when you say "primarily State and local functions," does that mean also with respect to the financial support of such programs?

Mr. NATHAN. The distinction I was trying to make is that in these two areas—human service programs and community service programs—the Federal Government does have a role in providing Federal aid, but it should be provided on a broad basis, such as envisioned under special revenue sharing, and what we are really looking to in these areas is making certain that the policymaking function and the administrative function are predominantly performed at the State and local level, which means that we have to relax the kind of categorical imperatives that have been built up in a way that now I would say impedes the policy and administrative roles and the flexibilities of State and local officials. But I do not preclude, nor does the administration's budget preclude, financial assistance under many existing categorical grants in this area plus, of course, new proposals for urban community development special revenue sharing, education special revenue sharing, manpower special revenue sharing, financial aid in each case on a broader and more flexible basis.

Senator MUSKIE. You do not mean to suggest that in these three areas that the economic support from such programs must be primarily local?

Mr. NATHAN. I do not. In a little while, in my testimony, I will speak about some of the budget cuts that have been discussed in these hearings and indicate my views as to how these fit into this broader pattern.

The fifth rule, if I may go on, says that research and the dissemination of research findings on public problems is appropriately a national government responsibility, although not to the exclusion of other levels of governmental or private institutions, because the supply of research talent and the supply of research ideas is not sufficient for all States and all major localities to sponsor such activities, nor is it necessary for them to do so.

No. 6 among the decision rules is that in areas which it is determined should be regarded as primarily State-local, which, as I referred to earlier, particularly involves what I call human services and community service categories, the strong emphasis of Federal financial assistance policies should be to encourage political accountability by elected general government officials—Governors, mayors, county executives, State and local legislators—and generally to assist these elected officials in strengthening the capacity of State and local government to set priorities systematically and respond to what the community want to do.

The seventh rule of the new federalism is something of a catchall category, and, as I would have to say, is the hardest to deal with definitionally. It provides that in areas of public activity where governmental responsibilities are not well established—and this is a term that the President has used, "established functions"—categorical grants are appropriate to encourage the development of these services, to build these institutions, although on the assumption that they will, like other established programs, later be phased out as State and local governments take on these functions. Examples of programs in the last 4 years which have been proposed or expanded and which illustrate the seventh decision rule are family planning, drug abuse prevention and control, and aid for culture and the arts.

Now, Mr. Chairman, what I would like to do next in my testimony is to take these seven principles and hold them up against some of the major decision and actions of the administration in its budget for this year.

The first area that I want to look at is income-transfer programs to aid the poor which come under the heading of the income strategy.

Although the most dramatic element of the administration's welfare reform program, the so-called family assistance program, did not pass, it must be remembered that the provisions of H.R. 1 to federalize aid for the aged, blind, and disabled poor were enacted in the 92d Congress. These three categories are now being taken over under uniform Federal standards by the Social Security Administration, effective January 1, 1974. It is important to note that today they account for nearly one-half of all of the cases—not the people but the cases—currently on welfare in the States. And it is projected in this budget that this group will double under the new national standards which are broader and, say, more generous than those now in effect. This is not just old people, I would point out; it includes large numbers of disabled persons unsuited for employment. Moreover, in many other ways which have been even less noticed, an income strategy for aiding the poor has been advanced in the last 5 years, quite dramatically. We do have today for almost everyone who would qualify on the basis of need a way in which minimum income support is made available to them. Food stamps are perhaps the most dramatic illustration of this growth. They benefited 2 million persons in 1968 and now benefit over 12 million, and the food stamp program is the program which particularly covers the working poor. One of the things we discovered in H.R. 1 is that food stamps have grown so much that now the coverage of the working poor under H.R. 1 would have meant that some people would have gotten less assistance, in fact, than they now receive in food stamps. This fact has very much affected my view of family assistance legislation.

The number of children receiving free or reduced-price school lunches has also risen, in fact by 200 percent from 1969 to 1974. A new income-tax deduction for low-income persons has been enacted. AFDC, "Aid for Families With Dependent Children," although surely not by the administration's design, has also risen very rapidly from 1968 to 1972, although is now showing signs of leveling off. AFDC now benefits 11 million persons monthly, although a much larger number are aided on an annual basis. (We do not have statistics on the annual coverage.) The addition of food stamps has effectively raised AFDC benefits in many of the States with traditionally very low AFDC payments. States which did not previously have food stamps now with AFDC and food stamps are approaching much more adequate levels of AFDC payment.

In addition, social security benefits for the aged have gone up 51 percent in the last 4 years. The medicare and medicaid programs which provide medical and hospital coverage for social insurance recipients and the needy have likewise expanded dramatically since 1970, both in total cost—up 80 percent—and beneficiaries—up 65 percent. Those are dramatic figures. While it can be argued as to who deserves credit for these developments under income support pro-

grams, the point is that they are happening. My own personal view is that although the administration's family assistance bill should not be reintroduced under current conditions, particularly because of the point I made about food stamps, I do, however, feel that the administration should continue its commitment to the fundamental ideas of welfare reform by setting up some kind of formal machinery in this area. I would like to see a national commission established to analyze the present levels and mix of income support programs and recommend necessary steps to make them more adequate and equitable and to strengthen working centers for needy persons who are employed.

Senator MUSKIE. Would you prefer that I wait until you finish your statement before I ask questions?

Mr. NATHAN. Maybe, Senator, what I ought to do—if this would be best—is to go through the rest of my statement more quickly and then reserve time for questioning.

Senator MUSKIE. All right.

Mr. NATHAN. The next section in my statement refers to general revenue sharing and special revenue sharing. Education revenue sharing is pending; manpower special revenue sharing is being put into effect. The social service grant is being converted into a form of bloc grant which ultimately will lend itself to special revenue sharing. Here, I think, the administration needs to take a somewhat different position, as I note in my testimony.

The next big step in the community service area is one which I hope—and expect—will receive congressional action in the 93d Congress, namely, urban special revenue sharing. In my view, this piece is essential as an urban-needs directed counterpart to general revenue sharing which is partially distributed according to need but on a basis that covers all local units of general government. People who are concerned with poverty impaction in central cities should particularly focus on how the formula for urban revenue sharing is developed and works. It is now being revised in the White House.

My statement also touches on the other principles of the new federalism and how the various actions of the administration are reflected in these principles.

I would note, in concluding this discussion of the seven principles of the new federalism, that there can be questions by persons with a different point of view from that of the administration. Nevertheless, to me, the main point is that the new federalism is happening, that the combination of many important ideas and policy shifts—some major and widely publicized and others less noted—had produced basic changes in the way in which American domestic government is organized and operates.

The other side of the coin, of course, is that the trend of the 1960's of categorical solutions to every social problem is not continuing in the same way that it did in that period.

Mr. Chairman, at this point in my testimony, I would like to insert an article which I wrote in the Wall Street Journal [1] which discusses the budget reductions of the administration and is critical of many of what I call "budget broadsides" in the press and at many congres-

[1] See, "The New Sport: Budget Baiting," by Richard P. Nathan, Wall Street Journal, Feb. 6, 1973, p. 403.

sional hearings. My point is that it is not accurate to talk about slashing and ruthlessness, that what needs to be done is to look at some of the specific actions they are based on—careful thinking about some important issues and ideas of public policy. I would like to put this in the record.

Senator MUSKIE. Without objection, it will be included in the record.

Mr. NATHAN. A good way to summarize the new federalism is that it involves the redistribution of governmental resources in two key areas: (1) income transfer payments and (2) Federal grants-in-aid to States and localities. Although this process is not as systematic and analytical as some might like, it is intended to enhance equity to recipients and promote incentives for greater individual and community decisionmaking, moving away from the viewpoint of the previous decade that all social problems require national governmental solutions. It is important to note that when you talk about grants-in-aid and income-support programs to the poor, you are talking about three-quarters of the civilian budget. The new federalism cuts across nearly the whole of the domestic sector of the budget. Although much of the controversy and rhetoric lately has been about the budget, I think it is important, and I hope these hearings will enable us to think more fully and clearly about some of the basic issues that involve program structures and techniques in the domestic, public sector that are being raised at this time.

We are in a new period in domestic government. It will no doubt take quite a while for these ideas to become understood by the public on a broad basis, although I think the news events of recent weeks will be important in facilitating this process. It is important to remember one final point; the courts, particularly the Supreme Court, have changed the ground rules of domestic government in tremendously important ways since 1950. The decisions in three cases, the *Brown* case—equal opportunity, the *Baker* versus *Carr* case—equal apportionment—and most recently the *Serrano* case—on the equal distribution of payments to different levels of government—must be taken into account as new elements in the way we look at the role and potential of State and local governments in our federalism. Many who have complained in the past about deficiencies of State and local government need to recognize that these three Supreme Court cases have already wrought far-reaching changes which I think it can be argued make decentralization policies considerably more feasible than they might have been 15 or 20 years ago.

Senator MUSKIE. Thank you very much, Mr. Nathan, for your testimony.

[Mr. Nathan's prepared statement follows:]

PREPARED STATEMENT OF RICHARD P. NATHAN[1]

THE NEW FEDERALISM IN 1973

As a staff member in the Executive Office from January 1969 to September 1971 involved in decisions relating to domestic affairs, I want in this testimony to attempt to analyse systematically what I consider to be the main purposes and principles embodied in the New Federalism. It is useful to begin with some brief historical perspective.

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[1] The interpretations and conclusions in this statement are those of the author and do not necessarily reflect the views of other staff members, officers, or trustees of the Brookings Institution.

Background on the New Federalism

We live in a technologically advanced and very large nation: there has been a strong tendency in many areas of our national life (business, government, labor, mass media) for organizations to become bigger, more centralized, and more specialized. The obvious question for democratic theory in these developments is how does the individual count, how is he able to develop and express his own preferences and ideas? There is much dissatisfaction particularly with government as it has become larger, more centralized, and as a result more impersonal.

In this context, thoughtful public leaders on both sides of the aisle politically have been working for the past decade with ideas to reform government—to enhance the ways in which the individual as a citizen can influence governmental processes.

The New Federalism is a logical extention of many of the ideas that have been percolating up to the political surface since 1964. Its basic premise is *not*—and I think it is important to start with this negative—that all responsibilities of the Federal Government in domestic affairs should devolve to states and localities. These new policies involve much more than just putting the money on the stump and running.

Since 1969, *the* key idea of the New Federalism has been the need to *sort out* governmental functions more carefully, to rationalize the roles and resposibilities of the different levels of government in our federalism. Although there is always a tendency to simplify political themes, President Nixon's ideas on domestic policy going back to the 1968 campaign have consistently involved much more than just shifting power *away* from Washington. He discussed his ideas on domestic government in 1968 in a manner which foreshadowed proposals he would later make as President to assign a stronger role to the Federal government is selected fields where national government action is deemed needed and appropriate. Mr. Nixon specifically related his ideas on the need for stronger Federal action in selected fields to his advocacy of decentralization. He said in a national radio address on domestic policy September 19, 1968 that one of his main purposes in decentralizing power would be "*to concentrate Federal action on those functions that can only be handled at the Federal level.*"

The point is that although the President has spoken often of policies to reduce the effects of centralization and specialization in government, his program does not simply reject central government action for every situation, but rather involves decentralizing some programs and reforming and centralizing others. While the criteria are not systematically arrayed as they might be in an academic exercise, a reasonably coherent strategy has emerged in the Administration's various domestic reform proposals for sorting out programs to be selectively decentralized and those where reforms involving stronger Federal Government action are deemed appropriate.

Functions to be decentralized are those where conditions and needs vary widely and local decision-making is especially important, such as manpower training, education, social services, urban and rural development. Essentially, the programs in this group are human and community service activities, where not only do conditions and needs vary, but also the people who provide these services are organized differently from community to community.

On the other hand, functions of government where inter-state and inter-community spillovers are significant (the environment), where decisions should be the same for all (welfare payments and health care financing), where a stimulus is needed now to start action in new areas (drug abuse treatment and family planning), and where every geographical areas does not need to be involved on the same basis (health and education research) have been candidates for central action. All are examples of areas in which the Administration has urged reform to concentrate Federal attention, using the President's phrase, on functions that can only be handled at the Federal level. The Administration has embelished and restated this point many times. In a memorandum to "Senior Administration Officials" (later made public), the President in June of 1970 explained his New Federalism program in terms that put emphasis on sorting out governmental programs and responsibilities.

Under the New Federalism, major aims are to define more clearly functional responsibilities among levels of government and strengthen governmental institutions at all levels. Welfare, for example, is appropriately a national responsibility. . . .

In areas which are primarily state-local responsibilities, revenue sharing and other measures which the Administration has advanced will strengthen the capacity of states and localities to make decisions which reflect their own priorities and needs.

Six months later in his 1971 State-of-the-Union Message, this theme appears again.

Established functions that are clearly and essentially Federal in nature will still be performed by the Federal Government. New functions that need to be sponsored or performed by the Federal Government—such as those I have urged tonight in welfare and health—will be added to the Federal agenda. Whenever it makes the best sense for us to act as a whole nation, the Federal government should and will lead the way. But where state or local governments can better do what needs to be done, let us see that they have the resources to do it there.

Moreover, as the Administration has become more familiar with domestic programs and issues, its statements have reflected increasingly more specific ideas on whether and why particular functions of government are more appropriately Federal or state-local. Speaking about the environment, in an address to the Governors' Conference in Washington February 27, 1970, President Nixon carefully explained his ideas on the relationship between revenue sharing and national initiatives for environmental protection. His address, which was obviously made from notes, indicates that the President himself was working to devise what would be considered a proper formula to sort out domestic functions among levels of government.

When we look at the problem of the environment and where we go, there are these thoughts I would like to leave with you: first the necessity that the approach be national. I believe in state responsibilities. This is why revenue sharing to me is a concept that should be adopted. On the other hand, when we consider the problem of the environment it is very clear that clean air and clean water doesn't stop at a state line. And it is also very clear that if one state adopts very stringent regulations, it has the effect of penalizing itself as against another state which has regulations which are not as stringent insofar as attracting the private enterprise that might operate in one state or another or that might make that choice. This is why we have suggested national standards.

Seven Principles of the New Federalism

Looking back at this period, I find it useful as a participant and one interested in government administration to put together what I consider to be the main ideas embodied in the Administration's domestic policies in an overall framework for understanding and analyzing the New Federalism. I submit seven principles or decision rules of the New Federalism which it should be emphasized at the outset are my own construct and are not stated in this way in any comprehensive policy paper by the Administration which I know about.

1. Income transfers to people should be given greater emphasis as the main way to help the poor; these functions (both cash payments and in-kind transfers, such as medical care, scholarship aid, and food stamps) should be carried out in large measure as national government responsibilities because of the variation in wealth among the states, and because of the ease with which people—rich and poor—can move from one place to another.

2. Human service programs to aid the poor and others who should be eligible are activities which should be regarded as primarily state-local functions; financial support from the Federal government is appropriate in these areas, but it should be provided on a broad basis which leaves for the recipient jurisdictions wide discretion in policy-making and administration for these programs (e.g., education, manpower, social services, public health).

3. Community service programs is another major area which is predominantly a state-local function where Federal financial assistance should be provided on a broad basis according to community needs. This category includes, for example, police protection, fire protection, urban development, transportation, zoning and code enforcement.

4. Certain broad inter-area environment functions where problems or needs spill-over to a significant degree among regions (air and water pollution control and national parks) are fields of governmental activity where Federal intervention through rule-making and specifically targeted financial assistance and spending are appropriate.

5. Research and the dissemination of research findings on public problems is appropriately a national government responsibility (although not to the exclusion of other levels of governmental or private institutions) because the supply of research talent and ideas is not sufficient for all states or major localities to sponsor such activities, nor is it necessary for them to do so.

6. In areas which it is determined should be regarded as primarily state-local, the strong emphasis of Federal financial assistance policies should be to encourage political accountability by elected *general* government official (governors, mayors, county executives, and state-local legislators) and generally to assist them in strengthening the capacity of state and local government for systematic priority-setting and responsiveness to the community.

7. Finally, there is a seventh principle which is something of a "catch-all" and is the hardest to deal with definitionally. It provides that in areas of public activity where governmental responsibilities are not well established, categorical grants are appropriate to encourage the development of these services, although on the assumption that they will, like other established programs, later be phased out as state and local governments take on these functions. Examples of programs proposed or expanded by the current Administration which illustrate this seventh decision rule are family planning, drug abuse prevention and control, and aid for culture and the arts.

I would make several points about these principles. They do not constitute a tightly defined system; some involve concepts which are difficult to work with in practice and areas of overlap that cannot be easily dealt with. The New Federalism, it must be remembered, is both a substantive agenda for reform and hopefully for the Administration a politically saleable program. Even with the best thought out criteria, distinctions between Federal and state-local functions are bound to involve value judgments which one would expect to change as times and conditions change. President Nixon's New Federalism, as in the case of previous presidential domestic programs, must be viewed as a broad framework of basic ideas for a particular period as to the appropriate role, first of government, and second on the Federal Government, in the field of domestic affairs.

Applying the Seven Principles to Administration Actions

As the next main area in this statement, I would like to hold these principles up against some of the major decisions and actions of the Administration in domestic affairs. First, we need to look at income transfer programs to aid the poor which come under a new heading, now quite widely accepted, of "the income strategy."

Although the most dramatic element of the Administration's welfare reform program (the Family Assistance Program) did not pass, it must be remembered that the provisions of H.R. 1 to federalize aid for the aged, blind, and disabled poor were enacted in the 92nd Congress. These three categories are now being taken over under uniform Federal standards by the Social Security Administration. They account for nearly one-half of all the cases (not people) currently on welfare in the states. Moreover, in many other ways which have been even less noticed, an income strategy for aiding the poor has been advanced. Foor stamps benefitted 2 million persons in 1968: they now benefit over 12 million. The number of children receiving free or reduced price school lunches has risen 200 percent from 1969 to 1974. A new income tax deduction for low income persons has been enacted. Aid for Families with Dependent Children (although surely not by the Administration's design) has risen steadily since from 1968 to 1972 and now benefits nearly 11 million persons monthly: the addition of food stamps has effectively raised benefits in many of the states with traditionally very low AFDC payments. Social Security benefits for the aged have gone up 51 percent. The Medicare and Medicaid programs which provide medical and hospital coverage for social insurance recipients and the needy have expanded dramatically since FY 1970, both in total cost (up 80%)' and beneficiaries (up 65%). While it can be argued as to who deserves credit for these various developments under income support programs, the point is that they are happening. My own view is that although the Administration's FAP proposal should not be re-introduced under current conditions the Administration should continue its commitment to welfare reform by setting up formal machinery to analyse the present levels and mix of income support programs and recommend next steps to make them adequate and equitable and to strengthen work incentives for needy persons who are employable.

At the same time that income support programs have greatly expanded, human and community service funding by the Federal Government is being converted into broader forms of financial assistance to states and localities. General revenue sharing has been enacted.[1] Manpower special revenue sharing will in large measure be put into effect administratively. Beginning steps have been made to have the social sevice grant converted effectively into a form of bloc grant, although one can argue that the Administration makes a mistake in establishing new restrictions on the use of these funds *after* the program has been converted into a formula grant.

The next big step in the community service area is one which may receive Congressional action in the 93rd Congress—namely the enactment of an urban development bloc grant or special revenue sharing program. In my view, this piece is essential as an urban-needs directed counter-part to general revenue sharing which is partially distributed according to need, but on a basis that covers *all* local units of general government. Members of the Congress and others involved in domestic programs who are concerned about urban needs and particularly poverty impaction in central cities should study with special care the distribution formula for allocating these funds.

Also in the community services area, the Administration consistent with principle number six above has re-introduced its $110 million Planning and Management legislation and initiated related management improvement steps to strengthen the capability of the governmental jurisdictions which receive revenue sharing funds.

Beyond these major changes in domestic policy, it needs to be added that countless budget and administrative decisions since 1968 move in the same direction towards a more comprehensive strategy for income support programs and generalizing Federal aid for human and community services.

Likewise, as regards research on domestic program and needs, the idea of decision rule number five that this should be a national government responsibility is embodied in a number of actions taken in this area since 1968. A new National Institute of Education has been established. And although many agencies of domestic government are being reorganized, the National Institute of Health and the National Science Foudation have not been subject to any effort by the Administration to redefine or change their basic mission. A national center for research on occupational health and safety has also been established.

Finally, as to principle number seven which is the most difficult of all to deal with, expended start-up or seed money grants have been made for such "new" purposes as family planning, drug prevention and control, and the arts. This aspect of the New Federalism is the least clear definitionally; the real test is whether at some later time financial assistance to these functions can become more generalized as the functions and institutions involved become increasingly better established.

I would note again by way of concluding this discussion of the seven principles of the New Federalism that they can be questioned by persons with a different point of view from that of the Administration. Nevertheless, the main point is that the New Federalism *is happening*, that the combination of many important ideas and policy shifts—some major and widely publicized and other less noted—has produced basic changes in the way in which American domestic government is organized and operates.

The other side of this coin is that earlier trends towards particularistic, targeted national government solutions to domestic problems have not continued nearly as strongly as in the 1960's. New grants have not been created as rapidly and funding for existing categories has begun to show signs of tapering off, while at the same time income transfer programs have grown much more rapidly and now more recently revenue sharing has also entered the picture.

Summary of the New Federalism

A good way to summarize the New Federalism is that it involves the redistribution of governmental resources in two key areas (1) income transfer payments and (2) Federal grants-in-aid to states and localities. This redistribution process, although not always as systematic and anlaytical as some might like,

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[1] The Brookings Institution currently has a study underway on the distribution and political and economic effects of general revenue sharing with 21 field researchers covering 8 state governments and 54 localities. Materials on study to be inserted in the record.

is intended to enhance equity to recipients and promote incentives for greater individual and community decision-making(moving away from the viewpoint of the 1960's that all social problems require national governmental solutions. In the case of transfer payments, it is individual decision-making that is reinforced. In the case of Federal grants, the aim is to strength elected officials of what is commonly called "general government" (mayors, county executives, governors, legislators, the presidency) as against the special sub-governments of particular functions which have acquired considerable power under categorical grant programs.

We have in short a developing but quite ecletic strategy to redistribute welfare-type payments ("the income strategy") and a strategy to broaden and rationaliz the distribution of Federal grants to states and localities (the revenue sharing strategy). Together, these two areas account for over three-quaters of all civilian spending of the Federal Government. Relatively little Federal domestic spending is for direct programs such as National Parks and the Smithsonian Institution.

The ideas of the New Federalism thus cut across nearly all of the domestic programs of the Federal Government. Although much of the controversy and rhetoric affecting these programs in the present period revolves around the battle of the budget, it is equally pertinent to analyze these developments in terms of a shift in basic program structures and techniques within the domestic public sector. The desirability of these changes is being (and should be) widely debated. My hope is that these hearings will contribute to this debate and that it will be a thoughtful one. While questions of levels of spending within the civilian sector in government are important, so too are essential issues of horizontal equity, incentives, and the proper role of government (Federal, state and local), all of which are subsumed in important ways under the heading of the New Federalism.

We are in a new period in domestic government. It will no doubt take quite awhile for these essential issues to become understood on a broad basis. It is also important to remember in this period that the courts, notably the Supreme Court, have changed the ground rule of domestic government. The decisions in the Brown case (equal opportunity), Baker v. Carr (equal apportionment) and most recently Serrano (equal distribution) must be taken into account as new elements in the way in which we look at the role and potential of state and local governments in our federalism. Many who have complained (often justifiably) about deficiencies of state and local government need to recognize that these three Supreme Court cases have already wrought far-reaching changes which it can be argued make decentralization policies much more feasible now than would have been the case 15 or 20 years ago.

Senator Muskie. May I say, at the outset, that as I looked at your seven principles, I would not find too much to quarrel with them myself. I think what generates the political quarrel at the present time is the question of whether or not they are being applied in ways that we can all agree.

Over the last decade that I have been invloved in this question of Federal, State and local relations, I think there has been general agreement among those who have been involved in the dialog, especially in that early period when it was not very visible publicly, that the whole system needs to be rationalized so that decisionmaking can be decentralized. What troubles those of us involved in that dialog from that early period is that decisionmaking in this budget seems to be equated with shifting not only decisionmaking but primarily the burden of carrying on these functions.

Second, the thrust of your presentation suggests that new federalism and especially this budget, which concerns us all, is somehow a rational process, that it began sometime prior to 1968 on the part of the President and has proceeded along logical evolutionary ways ever since. And, yet, recent developments suggest that the President has used

instruments and tools that are hardly evolutionary in their impact but rather are blunt and arbitrary. The evolutionary approach you suggest would, to me, make a great deal of sense. However, I find it difficult to reconcile with the administration's actions of recent months. So, I would like to ask just a few questions bearing upon that.

I do not now whether you have given attention to the President's use of impoundment authority, or whether you are prepared to comment on it to any extent. But the President has used impoundment, whatever his design and intent has been, to reorder the application of Federal resources to these problems which you so systematically organized in your seven principles. Do you apply the use of "impoundment" for that purpose?

Mr. Nathan. Let me say, first of all, that I am not a lawyer or constitutional expert, and I want to talk about program issues and not legal issues. But it does seem to me that the kind of position we are in today, where the President has decided that he does not want to raise Federal taxes because he would be effectively raising Federal taxes to pay for particularly "Great Society" programs. It is not logical to expect the President to propose increasing taxes to pay for programs that he has been trying over the previous 4 years to shift or make less prominent in the budget. With the kind of overall economic conditions that we have, the President does not choose to raise taxes because of his and many people's concern about inflation and our balance of payments. This seems appropriate to me. So, a new tool has entered the governmental scene in a fundamentally different way. I think the impoundment issue today is different, in the use of that power or these authorities, than at any time in our history.

It seems to me that there are three possible outcomes. One is that some kind of a compromise will be reached with the Congress. The President has challenged the Congress through the budget which is proper for him to do, I believe. Congress seems to me to be working to find a good way to respond. I think this is healthy. This may ultimately wind up in some kind of an agreed-upon use of impoundment power.

The second possibility is that the President will win, and the third possibility—and this is where I will want to end up—is that the courts will say that the various constitutional provisions, statutes, and cases involved as precedent do not support the use of this power for the kind of purposes the President has envisioned. To me the questions are problematic. I would say that, as far as the technique is concerned and the use of the impoundment power is concerned, this is not an area where I am ready to say how I finally resolve it in my own mind.

I would make one additional point in comment on your statement. When you talk about cuts in social programs—and I watched with interest the testimony of the mayors before this committee—I think that some of the figures they used do not really jive with what is involved in the budget. It is very hard to be dispassionate about a budget that is as dramatic as this one, but it is also important for us to try and get at the basic issues.

I would like to make one more point which I think is fundamental and is often overlooked, and that is that the model cities program and OEO community action program are really being changed in this way:

The President and administration are saying that we want to have a grant to mayors and city governments of $2.3 billion, and maybe more, to let them decide what they want to do in the broad community service area that I spoke about earlier. To my thinking, history has really caught up with us on the model cities and the community action programs. Today, if one looks at poverty and its impact in the inner cities, I think it is quite clear that minorities are now in a position to exercise great political influence on these issues. We have many black mayors: We have many black and Chicano city councilmen. It is quite clear that minorities can have significant leverage on the legitimate machinery of urban government decisionmaking. To me, it seems wrong to continue to build up quasi-governmental, separate games for the poor to play when really if we give this money to the city and if they control, to a large extent, the machinery of local government, that is where the action is. I think that this question tends to be looked at without thinking about changes over the last 10 years and basic concepts of legitimate power in our society where community revenue sharing is really focused on urban, central cities in a way which might, in the long run, be much healthier for our democracy.

Senator MUSKIE. I think you went slightly beyond my question.

I would like to focus on my question, because I do not think you can divorce substance or principles—and your statement after all is based upon principles—from legitimate techniques and instruments.

Now, this power to impound has been asserted, and I do not want to get into—nor did I intend with that question to get into—the legal or constitutional aspects of it. I wanted to get into it in terms of your conception of its use to implement the principles which you outline in your statement.

Do you think that impoundment is an unlimited authority?

Do you think it has limits?

Do you think it should have limits?

Do you think it should be used as an item veto on a regular basis to assist these principles, which I take it you recommend to the President as well as to us?

How do you view the impoundment authority?

We view it as being used to a greater extent than ever before to implement the President's notion of what the Federal Government ought to be doing or what it ought not to be doing. It goes far beyond his concept of what the economic circumstances require. He is using it to reshape the Federal Government's role with respect to social programs.

Do you think impoundment should be used as such an instrument, and, if so, what, if any, limits do you feel on that authority?

Mr. NATHAN. I would be happier, Senator, personally, if the relationships between the two branches were more cordial on these budget issues, as I am sure——

Senator MUSKIE. I am not talking about cordiality. I am talking about an assertion, in a new way, of an authority that has been used before. Since it has been asserted in a new way, it will continue to be used in that way and become a part of the President's claim to a package of authority, unless at this point when it is being asserted in a new way, we shape it, define it, if we can find a way to do that.

And, so, what I am trying to get from you, as one who is a professional in the field of political science is your view of impoundment as an executive authority.

What is your view of it as it is now being asserted?

What is your view with respect to whether or not it ought to have any limits and whether or not it ought to be used independent of the budget authority, independent of other Presidential authorities to implement such principles as you outline in your paper?

Mr. NATHAN. Senator, I have always favored the item veto which most State governments now have. In effect, the President is using the impoundment authority as an item veto.

Senator MUSKIE. Do you think it is right for him to establish the item veto in that way, or do you think it ought to be established in a constitutional and legislative way?

Mr. NATHAN. My view is that that has to be a question for the courts, and it will be.

Senator MUSKIE. Well, as a political scientist interested in the constitutional system, you mean you have no ideas as to whether the item veto ought to be established by executive fiat as against the processes established under the Constitution?

Mr. NATHAN. It seems to me it is fully within our legal system, if the courts decide that the President can use the impoundment authority as an item veto—which I have said I favor—that it would follow from my previous statements that I am not comfortable about these events. I did indicate——

Senator MUSKIE. I doubt, personally, that the courts will allow the issue to be shaped in that way for decision, because the Congress, wisely I think over the years, has given Presidents considerable discretion and flexibility in the expenditure of appropriated funds. Now, those precedents leave us, in the statutes, with a great deal of loose language about Presidential discretion, and it is my view that the courts will use that rather than the explicit resolution of the item veto question as the basis for decision.

So, I think it is legitimate for us in the political arena—and that includes you—to consider whether there is going to be an item veto in terms of the credibility of this system and the mutual restraints between its parts which have permitted it to live, and whether the item veto, which was explicitly rejected in the Constitutional Convention, should not be established by executive fiat.

Mr. NATHAN. I would comment further that I think the item veto is needed. I worked for 3 years at the OMB——

Senator MUSKIE. That is not the point of my question.

Mr. NATHAN [continuing]. And struggled generally with escalating expenditures which have put us in the position we are in today, in the budget crunch of 1973. The States have the item veto, and it seems to me their constitutional systems, where it has been used, have not been hampered or impeded in what I would consider a basic way by the item veto.

Senator MUSKIE. In my State, the Governor and the State legislature have no item veto, and I never have felt we missed a thing.

Mr. NATHAN. Your State is a unique governmental structure. I spent a couple of months up there several years ago, and it has still, I gather, Senator, a legislative council where——

Senator MUSKIE. We have some anachronisms that we ought to eliminate, but I do not think their existence could be compensated for by an item veto.

Mr. NATHAN. I happen to favor a strong executive, and I am a New Yorker, an Al Smith, so I can be a little bit nonpartisan, created——

Senator MUSKIE. We all like to feel we can be.

Mr. NATHAN. We all try.

He set up in New York State a strong executive and executive budget process. I think the New York State government has been at the forefront of State government, in part, because of that. I would, like everybody else, wonder what the courts would do. I do not feel equipped to speculate on what the courts will do.

Senator MUSKIE. I am not asking you that. I am simply asking whether you, as a political scientist, think that this is a good way, a wise way, a healthy way to establish the item veto?

And let me put that question in some context. I am of the belief that one of the reasons the three coequal branches of the Government have found it possible to live together in a healthy, useful, constructive way over the years is because that, in moments of crunch, they find it possible to be flexible with respect to their relations with the other two branches.

So, a lot of questions are better undefined, and wise Presidents and wise Congresses have backed off when they seem headed toward a crunch. The Johnson impeachment is one case where they did not back off; so, they got to that crunch.

Now, the President is asserting something, and you, yourself, can apparently see that it is the item veto, because that is the assumption of your response. Here the President asserts an item veto, and you accept its definition as an item veto, and you say, in effect, that you hope the courts will find that it is an item veto and that it is supported in the Constitution.

What I am asking you is: Do you think that is a wise way to establish an item veto?

Mr. NATHAN. Senator, I respect your ability in history and as a scholar on serious questions of government like this one. Approaching it on this basis, however, my reading of American constitutional history is probably a little different from yours. I think that a great many questions have come to the surface as regards the nature of the powers of the American Presidency in just the way in which this question arises. One can go back and look at the appointment power. I cannot, at this moment, think of others, but the appointment power is a very good one. The removal power——

Senator MUSKIE. It sure was. The appointment power led to the impeachment of Andrew Johnson.

Mr. NATHAN. But once upon a time——

Senator MUSKIE. Is that the way you think these things ought to be resolved?

Mr. NATHAN. Once upon a time the Congress appointed the Cabinet. Up to Andrew Jackson, the members of the Cabinet were appointed by the Congress. In my reading of American history, this process we are now going through is not atypical. I guess if we all act the way we customarily do, as the American Government and our constitutional system have allowed us to do, we will resolve this question. The courts

may step in and their decision will be accepted. The definition of the power of the branches of our Government over the years, it seems to me, has evolved in a way which does not make this case that much different from previous and similar issues.

Senator MUSKIE. Well, if I may summarize your position—and you can correct me if my summary is wrong—you regard use of the impoundment authority by the President as the assertion of an item veto. You applaud that, because you like the item veto, and you think it conceivable that the court will sustain it as an item veto supported by the Constitution?

Mr. NATHAN. Senator, I did not come prepared to testify on this subject, and I am not an expert in it. However; I do not think your statement of what I have been drawn out to say in this exchange is a bad one. I think that is, basically, where I am on this question.

Senator MUSKIE. Well, I would not like to put you where you are not.

Mr. NATHAN. I would put a lot of emphasis on the role of the courts. I think there is plenty of question as to what the courts would rule. I am not predicting what the courts would rule. I can see plenty of legislative provisions in the Antideficiency Act and in the Expenditure Ceiling Act that would suggest that the court would rule contrariwise from the implications of my statement. So, with the exception of a strong caveat as to my not predicting, or urging even, that the courts rule in this way, I would say that my views on the item veto are correctly, and well stated, in your summary.

Senator MUSKIE. I would like to hope that the court would see this as you do, as an assertion of an item veto, and that, if they rule on it, they will rule on it explicitly. I would not try to predict what they will say. I think it is a bad way to get that kind of a veto power established, because it leaves the Congress helpless to do much about it. But, at least, I think the record is clear at this point.

Let me ask you this with respect to OEO. The 2-year extension of the Economic Opportunity Act was signed into law by the President last fall. Presumably, 2 years was chosen—probably the President would have liked a shorter period, but, in any event, 2 years was chosen as the basis for continuing the program and continuing evaluating it and its effects. I assume that this study that was referred to earlier was produced in that connection.

In other words, we are evaluating it constantly; so, now, the President has appointed a director of the program who has said he relishes the prospect of dismantling it, and uses his appointment as a mandate to do that. The indications are that, administratively, he is doing that, that offices are being closed, personnel either fired or let go, furniture piled up, so that Congress is likely to be faced with the "fait accompli," presumably with Presidential direction and approval.

Even if the Congress should decide and act over the President's veto for a further continuation of the program, we would be dealing with a dead horse.

Now, do you approach that as a method for implementing your seven principles?

Mr. NATHAN. Senator, I would like to backtrack just a minute, and this may not please you at this point and you may want to comment on

it, but when I talked about the item veto, I think it is important to distinguish between partial and full impoundment. In some cases, the President has impounded whole programs. There, the question is, I think, quite analogous to the item veto. In other cases, he has only partially impounded program funds, and it seems to me quite possible that any final resolution of this question would hinge on that distinction. And I would just point out it is important to this question. I would not necessarily change any of my comments except to add that.

On the OEO and the President's role as chief executive, article II, section 1 of the Constitution states that the President is the Chief Executive. He has the power to appoint——

Senator MUSKIE. Or is it the chief executioner?

Mr. NATHAN. I cannot turn a phrase as well, perhaps, as——

Senator MUSKIE. You do pretty well.

Mr. NATHAN [continuing]. As the preceding witness. But I think the President's executive powers, indeed all of the powers of the Presidency, should be used with great dignity and skill. All of us can question maybe in some cases whether we like the way these powers are being used. But the fact that they are there is not something that troubles me as a witness today.

Senator MUSKIE. Let me ask you this: Now, here is a controversial program, controversial in the sense that obviosuly the President was not in love with it when he took office. But, as a program, it focused on the needs of the poor, and we have a study produced by the executive branch which concluded that it was more than useful. So, the President sent his recommendations to Congress last year. The Congress considered them and, in that cooperative arrangement established by the Constitution between the executive and the legislative, an authorization act was sent to the President, and he signed it into law. He did not veto it on the ground that 2 years was too long. He signed it into law. And the Congress adjourned and came back in January and is confronted with the appointment of a Director whose mission, as stated, is to dismantle with relish this program. Is this a government of laws?

Do you mean to say that your interpretation of the President's constitutional responsibility to faithfully execute the laws supports this?

How does the Congress, however feebly it speaks for the people, make its will felt upon the policies of this Government, if the President can do that? There is nothing more that Congress can do. By the time the appropriations bill that encompasses OEO is passed, and I am sure you would agree it ought to be processed as thoughtfully as possible and most of it will have passed, in the meantime, the furniture is being thrown out the door. How does the Congress make its will stated in this respect if 2 months after failing to use the veto, the President, administratively, vetoes what he signed into law? Do you applaud that, actually?

Mr. NATHAN. Well, let me make some comments on your statement, Senator.

First of all, I think the powers of the Congress are quite formidable. I think that what we are all concerned about today—and there have been countless columns in the newspapers about this—is the ability of the Congress to respond quickly with some concept of the total pro-

gram of the Government. I think the Congress is under some considerable pressure today.

Senator MUSKIE. And, I may say, so is the President. But to get to my question——

Mr. NATHAN. Well, I wanted to make three points.

Senator MUSKIE. Well, I have heard that rhetoric now in response to several questions, and I would like to have a response. You undertake to present yourself as a man of principle. You have set out seven principles, and I think they are pretty good. But the Constitution is a matter of principle, too, and I am trying to ask you how does the Congress avoid this kind of hearing and these kinds of questions in respect to this kind of assertion of executive authority, and I think I have characterized it pretty factually.

Do you, or do you not, approve of that kind of executive action as a matter of principle?

Mr. NATHAN. I thought I said at the outset, Senator, that I think the powers of the President, as Chief Executive, are being used in new ways today. I also think a strong Chief Executive, particularly—let us be candid about it—with a very large mandate which he just received from the Nation——

Senator MUSKIE. We have received a mandate, too. It was pretty good. It was a surprise, but it was pretty good.

Mr. NATHAN. The way the Congress responds to these challenges is of interest of all of us as students of American Government. The Congress needs to get together and react quickly to situations like this, or their opportunities will pass by.

Senator MUSKIE. Well, do we react quickly to this kind of arbitrary action—and I call it that, and I am not putting the words in your mouth. I think it is irresponsible for a President not to use his veto power when he had the Congress with him here if he knew what he was going to do in January, to dismantle this program. That is my idea. I am trying to get yours, and you seem to find it difficult to surface.

Mr. NATHAN. On your last point, a comment on that. I do not know how many points I have covered—I am doing my best—on whether the President needs to be consistent. I do not think there is any law that says that anyone of us, particularly men in public life—I do not consider myself that any more—has to be consistent. Consistency is the hobgoblin, as a famous New Englander once said——

Senator MUSKIE. I have never accused the President of that.

Mr. NATHAN. In a way that makes our political system adapt to the people's ideas more quickly——

Senator MUSKIE. You mean, expediency is more useful than principle? This is a way of adapting——

Mr. NATHAN. You know that is very complicated. There are times when principle really counts, as I have stated—I think the principles of the new federalism are rather consistently and coherently expressed in the policies of the administration in domestic affairs. What I am hoping for on these issues is that there will be a thoughtful effort to understand these questions so that people who may not agree with these notions can understand the points of difference. I think that on the question of tactics, our constitutional system has weathered many

a storm. I do not consider this present period that difficult. I know some people have made statements, very strong statements, about what we should do under this kind of a crisis. I, frankly, do not think it is a constitutional crisis. I think it will be handled in the same way in which many previous cases and incidents have been where the powers of the three branches of Government has been defined, incrementally. That is our constitutional system. It is flexible; it is not ironclad, and that has been a plus to us. Every State has written about 10 or 12—I think some States have 10 or 12 constitutions—and the National Government has been blessed with 1, because it lends itself so well to adjusting to these issues within the broad principles of that document. I think we will make it. There will be some problems—there is obviously a lot of history yet to be played out—but it is not that different, in my mind, from previous similar cases.

Senator MUSKIE. I am really not trying to make my case through you. I am trying to get some specific answers to specific questions. I do not think you have answered my last question but I think your attitude is clear, and so I will not press it. I will be frank to say I am disappointed, because I thought, after reading the first six pages, that we had the basis for a constructive record, based on your testimony. I wanted to get into such things as special revenue-sharing and what you thought it ought to be, how it could be shaped. There is a lot of constructive work to be done there. I do not believe in special revenue-sharing as the President has proposed it, although I do not know, really, yet, what he has proposed. We do not have the details.

I also wanted to ask you what you thought about the reduced funding, about the President's revenue-sharing proposals which this year in four areas are billions of dollars less than his proposals for the same areas a year ago. This suggests a reduction of his interest in the Federal roles that I would have been interested in questioning you about. But all of those questions are irrelevant if you believe that the President can do all of these things unilaterally and that what is involved is not a constitutional crisis at all but simply, an understandable assertion of executive authority which would fall into place in due course, and that you do not have to do these things in terms of accepted ways, of the constitutionally accepted practices, cooperation with the Congress, that the President can assert principles unilaterally, taking new ways to use Federal authority without having them even examined by the Congress. I am disappointed, but I think we have imposed on your time long enough.

So, I will say: Thank you for your testimony. I think your records are clear.

Mr. NATHAN. I will leave this material.

Senator MUSKIE. All right. It will be included in the record.[1]

I would like at this point to invite Dr. Robert Wood, president of the University of Massachusetts, former Secretary of HUD, and a partner in crime in the sense that we both have been involved in model cities, its birth and its gestation, and its early life—and maybe now we are going to be observing its death.

Mr. WOOD. We may be seeing the whole cycle.

Senator MUSKIE. We may see the whole cycle.

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[1] See additional material supplied by Mr. Nathan, beginning on p. 406.

STATEMENT OF ROBERT C. WOOD, PRESIDENT, UNIVERSITY OF MASSACHUSETTS; AND FORMER UNDER SECRETARY AND SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. Wood. Senator, it is a great pleasure to be before you again and to have had the opportunity to listen to the preceding witnesses and to hear their statements.

You have asked me to testify on the impact of President Nixon's "new federalism" proposals on higher education, with which I am currently concerned as president of the University of Massachusetts, and on urban development with which I was concerned as under secretary and then Secretary of the Department of Housing and Urban Development from 1966 to 1969.

The rhetoric of the "new federalism" is appealing. It is hard to deny that as categorical aid programs have proliferated local urban and educational planning efforts have been frustrated by the need to jump through categorical hoops. Simplification of the Federal grantmaking structure and strengthening of local initiative are clearly in order, and such was indeed the intent of the model cities program, of block grants, and of procedural reforms in all Federal domestic agencies stretching over the past 6 years.

The Nixon response, however, is flawed in conception and fraudulent in application.

It is flawed by the abdication of responsibility for national action to set national priorities. Such abdication was threatened in even the earliest talk of revenue sharing in the mid-1960's, and I was uneasy with it then. But the Congress clearly, as Dr. Heller said this morning, intended general revenue sharing to be supplementary to other Federal funding, and within a context therefore of national priority setting.

"New federalism" goes much, much further. Virtually across the board, it proposes to dismantle categorical programs and replace them with special revenue sharing. It dismisses as irrelevant a number of significant efforts of the sixties to simplify the grantmaking process consistent with maintenance of Federal standards.

The purpose of title I of the Elementary and Secondary Education Act of 1965, for example, was to target relatively large sums of Federal money to improve education for poor children. Every school district was assured an amount based on the number of its poor children, and local initiative was to play a great role in the determination of particular programs to be pursued.

Studies of the program have shown that it was administered too loosely by HEW, with the result that some money was spent for band uniforms and other unnecessary equipment. Illogically, however, the Nixon remedy is not to tighten the program but to let localities spend Federal education money without restriction or targeting.

If the poor have difficulty in getting what is statutorily mandated for their children now, they are unlikely to have the leverage to get hard-pressed local authorities to spend unmandated and unfettered Federal funds.

I think these are ways to distribute Federal money more simply without abdicating Federal responsibility. Title I, model cities, and law enforcement assistance are all instances, but the experience in every case has been that more, not less, Federal oversight is needed; that it is constructive to aggregate Federal funds in a general area but that carefully drawn Federal standards and supervision are necessary if the money is not to be just a fungible contribution to state and local treasuries.

It is not only the poor and minorities who will suffer from special revenue sharing. The fact is that every constituency with special needs and no special political leverage will suffer. And I do not believe, Senator, that the leverage coming out of the ghettos of American cities is very strong compared to the leverage in the white suburbs at the present time.

Programs for the handicapped and mentally retarded, scientific research, and the creation of new towns are just three obvious, widely disparate examples of needs which local governments are unlikely to respond to when the pie is divided solely according to local initiative.

The timing is ironic. Just as we at last turn our attention from a devastating war to the country's mounting domestic problems, so long deferred, we find our Federal Government turning its back, shrugging off its established responsibility to provide national leadership and priorities in the name of local democracy. Mr. Nixon's "new federalism"—which I am certain Thomas Jefferson would angrily disavow—would have not the Federal Government but each of the 100,000 governmental units additively setting our national policy on such matters as housing, civil rights, mass transportation, urban development, and education. When there is only a sum total of local priorities, there are no national priorities. What is proposed is certainly decentralization, but the likes of which we have not seen since the Articles of Confederation that preceded the Constitution—almost 200 years ago, bringing constitutional attitudes and ideologies being expressed today.

If the "new federalism" concept is flawed, the application is downright fraudulent. In brief, the Nixon programs are but a new version of the old shell game; whichever shell you look under, the Federal funds you thought were there have vanished.

On the one hand the American poeple have been told that general revenue sharing is extra money, to be used by the States and cities to relieve the growing tax burden and to fund new programs. But it has not been made clear that this "sharing" is coupled with massive cutbacks in educational and social programs upon which the same States and cities depend heavily. Mr. Nixon is offering local governments $6 billion in general revenue sharing while phasing out or terminating 112 social action programs costing $16.9 billion—in effect a $10.9 billion withdrawal.

What the Nixon program does, to paraphrase Justice Jackson, is to make a promise to the ear and break it to the heart.

Boston, for example, where only 50 percent of the land is taxable and property taxes have doubled in 6 years, sends almost $2 billion in taxes to Washington. Under the "new federalism" it will receive $17 million in general revenue sharing, in fiscal 1973, less than one-half of

the annual deficit of its mass transit system, while watching at least $100 million cut from programs such as model cities, the public service employees program, and public housing. Mr. Nixon's promise that revenue sharing "will help avoid tax increases" sounds pretty hollow to those managing America's cities.

Simply put, the "new federalism" means the State and local governments of this country will find themselves with responsibility for domestic problems and development without even the present level of resources with which to confront these problems. This will only shift the burden, not ease it. Mr. Nixon proposes to throw out smaller bones with less meat for the groups within the communities to scrap over.

Thus, the "new federalism" abandons the national Government's responsibility, fails to confront or attack current problems, and ignores the plight of those citizens, the poor and polticaIly powerless, whose needs are most pressing.

The "new federalism" has a cousin who must be introduced here to allow the Nixon plan to be understood in full: "Impoundment:" for if the "new federalism" asks Congress to abdicate standard setting and oversight regarding the use in Federal tax dollars at the State and local levels, the doctrine of impoundment says the President can ignore what Congress instructs at the Federal level. Both drastically weaken the Congress as a prime force in setting national priorities.

Impoundment is a big stick. Should Congress persist in providing funds for programs the President wants cut, he will simply refuse to spend the money. Should Congress decline to replace existing social programs with special revenue sharing, the President will destroy them anyway by impounding the funds. Impoundment so used is without historical precedent.

I mention impoundment and disregard of congressional mandates not only because they are being used to excess and are part of the tactics for implementation of the "new federalism," but also because they are a particular feature of the Nixon approach to higher education.

The President has impounded at least $128 million in higher education funds—the original appropriations for which he has now asked Congress to repeal. Of particular distress to the University of Massachusettes, and all other land-grant colleges and universities, is the $10 million from the so-called Bankhead-Jones funds—a traditional and very important source of relatively flexible funds for universities like ours. Here, as in many areas, the administration is using impoundment as a means toward destruction of a longstanding program.

The President is also disregarding Congress' mandate with respect to the new and very promising structure of student financial aid enacted just last year. Its new aspect was a guarantee—providing funding is there—of subsidy for up to half the cost of attending college, with a ceiling of $1,400 per person and a setoff for what the student's family is able to contribute. This will be a tremendous aid to the children of middle-income and lower-middle-income families who are being squeezed out of colleges like ours by spiralling costs and insufficient financial aid.

Congress recognized, however, that this guarantee is not enough for the poor—that is, for those who need more than half the cost of attending. They provided, therefore, that no funds are to go into the

new "basic opportunity grant" program until baseline funding for the old "educational opportunity" grant, work-study, and direct-loan programs is provided. This base line level would be $653 million.

The administration's budget request asks for an impressive $959 million for the new program. The problem is that it totally eliminates two out of the three programs which help lower-income students, and asks only $250 million for work-study, thus falling $400 million short of the statutory baseline.

What is clearly predictable is a period of confusion, argument, and delay. Congress will not appropriate, in my judgment, $959 million for a program which is contrary to its terms of authorization of a year previous. The administration will refuse to spend money appropriated according to the terms of the authorizing legislation. Students will suffer. At the University of Massachusetts alone, we may lose as much as $3 million in Federal student support. The administration, having appeared to make a generous funding request, will end up having to spend very little. It is, Senator, an ingenious and destructive tactic.

Offsetting the spurious budget increase in the area of student aid are widespread program cuts, many of which are justified on "new federalism" grounds that States and localities should be footing the bill. The extensive library cuts, for example, are justified by the "increasing availability of general revenue-sharing funds."

The call for increased self-reliance of the recent inaugural address is reflected in the broad-gaged cuts in support of graduate student training. We are told that "the income expectations of doctoral level scientists"—somewhere down the road and years ahead—"are such as to make it appropriate to expect them to bear the coasts of training themselves."

Other deep cuts are in such programs as college-teacher fellowships, college housing, university-community services, and undergraduate teaching equipment. Support for academic programs in a variety of specific areas will drop or disappear: social work training, public and allied health professions, environmental education, and area and language studies are a few examples.

The Nixon rhetoric would have us turn to the States to make up for the lost resources. The problem is, as you have already observed this morning, that many States are already making a major effort. In Massachusetts, for 10 years, Republican Governors and Democratic legislators alike have joined in support of public higher education. Despite all the competing demands, the executive budget in Massachusetts for fiscal 1974 recommends an increase of more than 25 percent over our current budget at the State university. While I expect to be asking the State to do more, over time, to help us reach the many who are still left behind by higher education, it is rather hard to expect the State to take up the Nixon slack as well. And the quality of our educational program will suffer.

In the field of urban affairs, in which I have been involved for more years than I care to remember as a political scientist, teacher and government official, I favor proposals that allow cities to establish their own priorities and fashion their own strategies in dealing with their problems. That was, of course, the purpose of the Model Cities program—an unrestricted block grant but with closely regulated

standards of performance—when we developed it 6 years ago. As you already know very well, since you led the fight for model cities in the Senate, the block-grant approach encourages institutional reform instead of simply dumping more money on top of an already overburdened and inefficient local government. A carefully designed special revenue-sharing program in community development, with appropriate Federal standards and building upon the model cities experience, might be worthwhile, as I have so testified.

But these possibilities are not realized in the present proposals. The budgeting shell game is at its worst in the urban area, with a budget request of only $2.7 billion for programs of the Department of Housing and Urban Development, a reduction of 36 percent from the current fiscal year's $4.2 billion. Not only have nearly $600 million of current funds been impounded, but all community development programs are to be terminated.

It is contemplated that HUD's varied supportive activities will be started up again by local communities under urban community development special revenue sharing; but that assumes that this approach will be enacted and that sufficient funds will be available. Even if both these conditions prevail, there will be an inevitable gap in timing—special revenue sharing, as I understand it, is not even proposed to start before mid-1974—which will throw thousands of people out of work and bring chaos to half-finished projects. In any case, the President's budget dries up funds that are urgently needed for housing, preservation of open spaces, water and sewer facilities, and neighborhood centers. I can only say that I think it is appalling.

The administration and its budget not only dismantle the majority of the Federal housing programs but wipe out the promising beginnings of a Federal housing and land policy—a basic necessity in creating a livable urban environment, the environment in which more than 80 percent of the American people live.

The recent deaths, Mr. Chairman, of two Presidents whose administrations were landmarks in the housing area sharpen awareness of the current failure of leadership. The 1949 housing law, enacted under Harry Truman, guaranteed decent housing to meet the needs of that postwar generation. Under Lyndon Johnson, the 1968 Housing and Urban Development Act—directed at the full-scale transformation of our cities—increased production of housing for the poor by a factor of six in a single year. The Nixon budget takes us back at least a quarter of a century, and probably further, in erasing long-standing Federal commitments.

The administration's answer that the housing program of the 1968 Act are inept and inefficient is, in my judgment, hardly credible. Those programs were passed by the Congress in the year Mr. Nixon was elected. It was the administration's George Romney and Elliot Richardson and, possibly, Robert Finch who administered the programs for 4½ of the act's 5 years. The scandals in housing Mr. Nixon speaks of were not scandals of the administration that created the law. They were the scandals of the administration that managed the law. I think I might underline the point that in the 7½ years of administration by Secretary Robert Weaver, no charge of wrongdoing was sustained in Federal housing and urban development programs.

We are told now, of course, that, issues of mismanagement and misconduct aside, the domestic programs of the sixties were failures. Designed by impractical scholars and carried out by bungling bureaucrats, the innovations of model cities, community action, head start, and job training are written off by too many of the media and academics alike as having promised much but produced little.

Only the constituents, it seems—those affected, those involved, those knowledgeable—remain loyal to the programs. Those who learned the realities of neighborhood democracy, those who left the ranks of the unemployed and became home builders, those who came back to school and found new trades, have stood by the programs. Indeed, they stood so stoutly that for 4 years successive task force recommendations that the programs be scuttled, successive denunciations of the beneficiaries and victims, and successive slanders did not prevail. I believe that program evaluations should include the perceptions of those involved—not the Monday morning quarterbacking of distant observers.

In education as well, we see the abandonment of commitments that the Federal Government has made in past generations to private and public universities alike. Many good university medical and basic research laboratories, set up with Federal encouragement, are going to have to be closed. In the past, Federal support of research has insured the safety of the country in a time of rapidly changing defense technology, has offered breakthroughs in medicine, has changed the base of our industry. Now this support is diminishing.

Gone, too, are funds to continue to reach out to the able but poor young men and women who for the first time in the sixties could consider college a feasible alternative in their lives. And, finally, lost along the way is adequate support of educational innovation—new programs and new directions—that adjusts what we teach and learn to the needs and wishes of students and society. These losses like the others promised by the "new federalism"—are grievous losses that weaken the Federal-State-local partnership, reduce the capability of State and local governments to respond, and shortchange us all.

They add up, in my judgment, to a strategy of irresponsible buck-passing that is unique in this century.

Thank you, Mr. Chairman.

Senator MUSKIE. Thank you very much, Dr. Wood, for that excellent statement.

I would like to reinforce what you said about the fact that those who benefitted from these initiatives at the Federal level understood that much good has been produced by them. I cannot help but think back to the period from 1960 to 1968, in terms of what they began to produce for our society and our domestic economy until the war issue overwhelmed everything else. The economy was growing healthier and strengthening; unemployment was dropping; inflation was dropping; the lot of the poor was improving; the schools were beginning to improve. A lot of momentum developed. Part of that, of course, was in response to economic policy and part of it in response to monetary policy, but, also, part of it, in response to budgetary policy in these new programs and initiatives that began to go on the books in 1964 and 1965 in an effort to get at these ancient enemies of man that Lyndon Johnson so eloquently described as "poverty, ignorance, and disease."

And those at the bottom of the ladder as well as at the top began to see hope, and we ought to look at these programs in those terms.

Those of us who are involved with creating them understand that many of the programs were experimental. Nobody held onto OEO as the magic design or ordained answer to poverty. It was an experiment, and it was made up of a host of experimental programs, some of which were better than others. Headstart, of course, was the one that got most of the action, but there were others as well. This recent survey by a hostile administration, which produced such high marks, I guess is the best testimony to their utility and usefulness. Knowing, as you and I do, the experimental takeoff of many of these programs, we recognize the need for looking at them now, looking at the way they are evolved, eliminating those that need to be, building more flexibility into the programs, targeting them better, because we understand that we were beginning an evolutionary process. I liked that part of Mr. Nathan's testimony which focuses on some of the elements that we should have in mind as we look to continuing that evolutionary process.

Now, we are talking about leaving evolution and just multilating the good and the bad. For the first time since, maybe the 1930's, when I was a college student there was a feeling that we have begun at least to try to come to grips with the problems of those who has no power.

Now, all of that is scuttled, and 112 programs are a lot of programs.

To get away from that aspect of the issue which tends to become controversial and partisan, I would like to take advantage of a few minutes of your time and your insights and your perspectives to focus upon some of the constructive things we might be able to do. In spite of the way in which the administration has dealt with the general revenue-sharing issue, I still believe in general revenue sharing in terms of what it was intended to be. But I think it must be accompanied now by a review and reshaping of the other forms of Federal assistance, and I think that we must preserve two things—well, we must preserve one thing and develop another. We must preserve the targeting in order to preserve national goals, but we must find a way to increase local responsibility for decisionmaking. We want to eliminate red tape. I wonder if you might, at this point, want to expand on what you said in your prepared statement on this subject?

Mr. Wood. Well, Senator, I suppose that the last time that you and I sat here, you were concerned—and rightly so—about the coordination efforts of the executive department at the Federal level; about how we were going about our job with these new experimental programs. And I recall you asked about whether or not we had enough basic wisdom or about at the Federal level to carry these into effect. And I think, behind your questioning you had at that time, was the growing sense that we had really delegated as many decisions as we could, to the State-and-local level. There came a question, then, of local governments to respond to the new Federal role, which in the latter part of the 1960's, became known as "counterpart capability." This aim to provide competence of the local level of course, lay at the heart of the model cities program. We tried two things in this respect. First, we sought experimental quality control through performance standards. Second, better management. Your thrust was

innovation; Secretary Weaner's and mine was more participation, but we had a consistent strategy.

Now, this strategy put pressure on local governments to be more capable and put pressure on state governments to be more capable. The long hard history of 701 and metropolitan planning can be read as an effort to make State and local officials self-concious; to think about how well they were carrying out their jobs. These programs did not seek to change local priorities or interfere in local affairs. They did force governments, professing to make decisions, to be competent.

What bothers me now on the general revenue sharing and special revenue sharing fronts is that unless we are careful, unless we are able to get some professional direction into the equation, we are going to underwrite a structure of local governments, from many professional points of view, from many vantage points, known to be too small and too segmented, to make effective decisions. We know perfectly well about the spillover effects that Mr. Nathan referred to, and we need to develop governmental capability at the local level.

Now, I do not see any of that concern in the President's program: I do not see any of the recognition that talent has to be present at the local level, that professional pressures have to come to bear at the local level, that capability has to come at the local level.

I noted in the Wall Street Journal, coming down this morning, one of the articles by Mr. Adams that said that New York City was all right, in terms of resources, because its assessed valuations were still climbing between 42d Street and 59th Street.

That may be. But New York is not all right in terms of how programs have developed, how programs are managed, how programs are evaluated, and I say that not in any spirit of criticism to the municipality of New York or its mayor. The delivery of local services is defective because cities really haven't had the necessary kind of help and capability.

I believe, Senator, we can bury the localities of America in a blizzard of Federal dollars and still have not done the job. I believe that the development of local governmental capability is one of the great missions we have to work on in this special revenue sharing field.

Senator Muskie. I would like to put the problem in another way. We tend to oversimplify here, but I would like to put it in another context.

The trouble with so many of our categorical programs is that they were narrowly focused and involved a lot of red tape. On the other hand, if you substituted untargeted special revenue sharing for them, what you get then is a shoveling out of Federal dollars not necessarily on the basis of need.

One advantage of the categorical program is that it responds to applications, and the applications have to demonstrate need.

But when you have general revenue sharing or special revenue sharing in these drab areas, what we are going to do is push out a lot of dollars and many of them are going to go into places which do not have the principal needs in the broad areas that are targeted. You are going to be wasting a lot of money instead of wasting, as you do

now, a lot of paper and red tape. And I think we have to strike a balance on that, and it seems to me that in order to shape special revenue sharing to avoid those results, we must have some guidelines and standards so that at least the thrust of the policy objective is clear. What we do about reshaping the distribution formulae to insure that the money goes where it is needed is another point.

Mr. Wood. That is right. One of the grave dangers that we may find, Senator, among several as we go into this revenue sharing business, is not only having to put heavy stress on manpower capability at the local-and-State level, but creating a new form of public-sector rigidity, underwriting the pressurization of jurisdictions and forms of government, that we know do not either respond to real needs or have jurisdiction over real needs. You remember, we had in the Model Cities Act, a specific provision that spoke of the need for jurisdictional reform. This no longer is in these programs.

Senator Muskie. A couple of specific questions I would like to ask if you have, perhaps, the experienced answers.

For example, the administration claims that the model cities program does not have a significant enough impact on social and economic problems nationally to justify funding as a separate program. What are you thoughts about that?

Mr. Wood. Well, in my view that is an interesting assertion, Senator, but without very much evidence to support it. I think the first task force of the Nixon administration undertook, with Prof. Edward Banfield as chairman in 1969, recommended the dismantling of the model cities program on the ground that no one cared about it. Out of the cities and out of the neighborhoods came the opposite opinion and the program prevailed, I believe, with the good help of the man who administered model cities, Secretary Romney and Assistant Secretary Hyde did continue to make impressive progress.

A few weeks ago, the higher education component of the Boston model cities program met in a basement recreation room in one of the most run-down parts of Boston. There were 200 or 300 people there who for most part of 7 years had been trying to find new ways of bridging the gap between the neighborhood and the university in the area. In terms of total numbers, this was not a significant impact; in terms of people who before had never understood that they had the possibility of access to the university, this was significant. In terms of leadership, of having that neighborhood get its full share, I think it was terribly critical. We were not blindly supportive of model cities

We did, as you say, build evaluation into that program. We, then went further. We established an autonomous urban institute at the very end so that it could critique quib apart from the departments that were engaged.

We made three particular tests of whether the people perceived there were changes in the model neighborhood areas, where people felt they were affecting changes and whether we could measure some changes in housing and schools and the change in the total environment. I think that, city by city, there are various records written. I think some cities did not do very much in terms of leadership, and some did not do as much as they might have in quantitative changes. But, as I look at the evaluations that now come out, it is clear that in those 150-odd

communities, all of them are different, whether we are talking about Eagle Pass, Tex., or whether we are talking about Worcester, Mass., or whether we are talking about Bangor—the cities began to move. Finally, I think that one other point needs to be underscored. Urban programs are all long leadtime propositions. We knew when we started them it would take time to have them abruptly shot down in midflight, I think this is the gravest damage of all.

Senator MUSKIE. A couple of observations, I think, that might be made: (1) A program like that cannot achieve a maximum impact with a hostile administration. These programs, you know, are not self-executing, and I expect that has been something of a problem, (2) model cities were used to demonstrate what could be done by giving local people the tools to rebuild their own blighted areas and what you could learn from those lessons, as you went along, to build effective national policies and impact. But the answer of this administration is just to cut off all of that potential.

The third point I would like to make is this: The President says: "We must depend more on self-reliance and, so, we are going to send these problems back to the local level where we can see them depend on self-reliance to deal with these problems." Well, model cities is built on self-reliance. So if the President's argument is that programs built on self-reliance do not work and have to be eliminated, then, the whole thesis upon which his new federalism is built is false.

Mr. WOOD. In our time, the term was "creative federalism," but the center point was beginning in the mid-sixties as massive devolvement of responsibility and resources to the American cities began. This began after a generation of almost total neglect. The neglect was especially evident in the 1950,'s, when the public housing authorizations were not funded by Republican administrations at that time, and, when, after the black migration from south to north went almost unnoticed as did the consequent change in the character of the American northern cities. The fact that that history of creative federalism in the 1960's is now written off abruptly, discarded as something that never happened, seems to me to be one of the most serious problems that we face today.

Senator MUSKIE. One other specific question. In your opinion, are there any housing programs that have outlived their usefulness or cost more than they are worth?

Mr. WOOD. Well, if I had to pick one, Senator. I would probably say that we should look again at the so-called advanced conventional FHA housing financing this underwriting and guarantee program served a vital function in the resettlement of veterans after World War II, but needs a reassessment. We need also to look at how we put that together, the renewal, the NDP program and the separate 235 and 236 authorizations. I think what we are discovering, in a subtle way, 5 years after the shift, is that without neighborhood concerne, without environment concern, without the model cities concept, simply quantity production of 235 and 236 can lead to inappropriate decisions of location and of development.

We, of course, assumed in 1968 that the legacies of 1965 and 1966 would continue with the Nation, and we assumed—and I think we made it part of a Congressional Record—that there would be quality

control put into those programs. But I think the programs did what we said, what we said they were supposed to do. In 1967, after the riots in Detroit and Newark, I think this country came to the conclusion that the time for experimentation and tooling up was passed, even though we knew the programs were not really ready to go. The 1968 act was enacted and, in effect, it said that we were going into mass production. It was the equivalent response of Mr. Roosevelt's 50,000 planes, and we went into the full production with subsidized housing. The housing records for the last 4 years of this country have been good without the 1968 law. We still would have been waiting to break the record of 2 million units constructed in 1950. And, so, I think right now the question is not which housing programs we abandoned, whether you go for rehab or what happened to 221–D–3's, the new question now is to put in the context of the other urban programs.

Senator MUSKIE. What was the first housing act in the late 1940's? The Taft-Ellender?

Mr. WOOD. Wagner. That is true.

Senator MUSKIE. That is Robert Taft, a conservative Republican Senator, and Allen Ellender, a conservative southern Senator, and Wagner, all with different political philosophies, who recognized the fact that we were not going to deal with the housing problem in this country without national leadership.

I can remember when we used Senator Taft's reported testimony after his decease in support of Federal housing legislation.

Mr. WOOD. Well, Senator Taft went back to his constituents. He went back and looked at public housing in Cincinnati and looked at private housing and concluded that Federal and national leadership was necessary.

Senator MUSKIE. Well, thank you very much, Dr. Wood. I guess we have taken as much of your time as we should.

I would like to announce that the hearings will continue next Tuesday in room 4221 of this building, and the witnesses will include five distinguished Governors to give us their views of the new federalism and the impact of the new budget.

(Whereupon, at 1:05 p.m., a recess was taken until Tuesday, February 27, 1973.)

A NEW FEDERALISM

TUESDAY, FEBRUARY 27, 1973

U.S. Senate,
Subcommittee on Intergovernmental Relations,
Committee on Government Operations,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:45 a.m., in room 4221, Dirksen Senate Office Building, Senator Edmund S. Muskie (chairman of the subcommittee) presiding.

Present: Senators Muskie, Metcalf, Chiles, Roth, and Gurney.

Also present: Alvin From, staff director; Jane S. Fenderson, counsel; James E. Hall, counsel; Alfred Friendly, Jr., counsel; Lucinda T. Dennis, chief clerk; and Dorothy Kornegay, secretary.

Senator Muskie. The hearing will be in order.

I do have a brief statement I would like to read to get this morning's hearing started.

Opening Statement of Senator Muskie

At the start of today's hearing, I only want to state my deep concern over the psychological climate in which we meet. I am seriously worried, as I am sure you often are, by the growing tendency in our Nation to expect immediate results from meetings of officials, from legislative deliberations and from Government programs. The Government has, of course, the power to hold off a disastrous national strike. It should have the ability to respond instantly and effectively to natural disasters and the suffering they cause. But it can do no more than commit its energies and resources to fighting enduring social ills and then work steadily to alleviate and eliminate them.

In contrast, politics by ultimatum—the insistence that the statement of a grievance must lead to its prompt solution—is almost certain to be bad government. The growth of such politics in recent years reflects a society geared to demand instant gratification. And such politics menace the foundation of steady progress on which truly responsive government must be built.

Thus, I am very disturbed when this administration sacrifices perspective and prudence for the dubious charms of the drastic statement and the extremist tactic. In his radio address Saturday on the administration's social programs, for instance, President Nixon attacked as "almost utopian" the efforts of the past. He said of their alleged failure: "Those who make a profession out of poverty got fat; the taxpayers got stuck with the bill, and the disadvantaged themselves got little but broken promises."

The President's statement, which I just read, is in direct conflict with an official administration study of 591 community action agencies which concluded as follows:

"The total emerging picture of Community Action clearly shows that CAA's are rapidly becoming very positive forces in their communities, that can play significant roles in helping communities rise to the challenges of revenue sharing and other forms of Government decentralization * * *

"The Federal Government should also be thinking seriously about the immediate and long-range benefits to be derived from continuing to strengthen CAA as well as local government capabilities for effective problem-solving at the community level."

So I suggest there is a question of credibility raised by a statement which the President made in a political context last week, designed to generate political support for his political decision to cut OEO and to dismantle it, as against a deliberate and rational study of the same programs, and agencies within the administration, from which I quoted.

From my perspective on the actual results, I must vigorously disagree with such exaggerations as are contained in the President's radio address. The Harris survey printed yesterday also suggests that Americans, by and large, approve of most existing programs to remedy our social and economic injustices. Lopsided majorities of those polled supported the continuation of the Head Start Program, of the Job Corps, of Federal hospital construction aid, and of the free milk program for school lunches. So it seems that Americans are not yet ready to call a halt to Federal provisions for the general welfare.

I do not see these hearings as a forum in which Democrats should defend every Great Society program—no matter its weaknesses—no matter its benefit. What I hope for instead is the kind of discussion which acknowledges the imperfections in our wisdom and the limits to our foresight, but which helps us, simultaneously, to going on and getting better as we go.

I do not think we or our Nation will benefit by stratagems designed to cut the Office of Economic Opportunity into easily disposable pieces before the Congress can weigh its actual performance and decide which limbs need pruning and which roots need feeding. That official study of Community Action agencies, concluded, for instance, that the program "is already producing highly constructive mission results in both urban and rural communities" and needs only more time and "a small investment" to bear even greater fruits.

Robert C. Wood, former Secretary of Housing and Urban Development, testified here last week and said something I want to endorse by repetition. Speaking of the Model Cities programs, he said, "These are all long leadtime propositions, we knew that when we started, and to have them abruptly shot down in midflight is the gravest damage of all."

So, we must not insist on miracles overnight. We must apply what John Kennedy once said about our "long, twilight struggle" not only to the search for international stability but also to the pursuit of domestic justice. I am glad you are here to help.

In conclusion, I would like to take note of a report in the Washington Post today,[1] indicating that the administration, in the words of Kenneth R. Cole, Jr., of the Domestic Council, is very anxious to get their story told and put forth their case for the New Federalism. The Post story indicates that a number of mayors who support the administration's budget proposals will be brought to Washington to rebut some of the criticisms this particular subcommittee has heard.

Now I only want to extend again, as I have before, an invitation to those men to come here and state their case. In fact, one of the mayors named by Mr. Cole was specifically invited to testify last week but did not come with the 12 others who appeared.

The subcommittee is anxious to hear from anyone who can contribute to the proposed revisions in the federal system.

Today I am delighted to welcome as our first witness this morning, a distinguished young Senator who has now begun serving his second full term in the Senate, and whose career to date suggests increasingly impressive contributions to the American political system and to policymaking in this country in the years that lie ahead.

I have been proud of him as a Senator and welcome his friendship and am delighted to have him here to testify this morning on a subject with which he is extremely well versed.

Welcome, Senator.

STATEMENT OF HON. WALTER F. MONDALE, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator MONDALE. Thank you, Mr. Chairman, for those kind words. May I say that I think I am joined by all of my colleagues in the Senate when I express my appreciation for these much needed and most helpful hearings that you are conducting on the new federalism of State and local government. The voices that you are hearing from mayors and public officials throughout the land and this morning shortly from the Governors of our country, are voices that desperately need to be heard because I think they are telling what needs to be understood in this country and, that is, that we are in the midst of not only a grave constitutional crisis but in the midst of a new national policy of dismantling most of the programs designed to help people in this country.

Walter Heller, I think before your committee, said that we are developing a new principle which goes as follows: "If at first you don't succeed, quit."

We find that these human programs in poverty, human rights and so on, do not give way easily to any public policy but what is needed is the commitment and the desire to try to apply the resources that are needed to a reasonable effort. That is what is at stake, it seems to me, in the new effort by this Administration to terminate and to eliminate—many times, in a lawless fashion—programs which are full of problems but full of hope at the same time and for which there are very few alternatives.

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[1] See p. 426.

It occurred to me that one of the witnesses that this committee could well hear from is Mr. Cole, who is using his privileged sanctuary in the White House to dispense the knowledge he gained from his many years with a New York advertising agency bearing upon the problems of the poor in this country. He is Executive Secretary of the so-called Domestic Council, a council that has never been authorized by law, which operates in the dark and with the protection of executive privilege.

To my knowledge, neither he nor his predecessor, Mr. Ehrlichman, ever appeared in public to defend some of the outrageous propositions that they presented with the White House imperium and I would like Mr. Cole to come up here and tell us what he would do about poverty or with the housing crisis or with the environment or with human rights. It would be interesting to see how full of wisdom and understanding the alternative polices might be at that time.

Senator MUSKIE. I think Mr. Phillips might be another useful witness.

Senator MONDALE. Well, that would be very useful. You might have them together and this would be simultaneous.

Your hearings are providing, in my opinion, a badly needed national forum for Governors, Mayors and other State and local officials and for experts in government relations and their message is increasingly clear. We have an opportunity to strengthen the creative partnership between Federal, State and local governments in order to meet and overcome the urgent domestic problems which confront our nation. But instead, the administration's budget, legislative and administrative proposals * * * for education, health, welfare, housing and other areas * * * would have the Federal Government turn its back on our most urgent social needs * * * with the bland recommendation that already overburdens State and local governments must either pick up the burden, or let it fall and live with the consequences.

A prime example of this flight from constructive Federal leadership is found in the Department of Health, Education and Welfare's recently-announced efforts to gut the Social Services program conducted under the so-called title IV (A) of the Social Security Act.

And I wish to discuss these efforts briefly this morning.

The purpose of the Federal Social Services program is to assist State and local governments in providing services which will help families get off welfare and stay off—such, for example, as child care drug and alcohol rehabilitation and employment services.

These are programs, for example, such as child care, day care, necessary to permit heads of households to work and such things as essential drug abuse programs. In Minnesota, we have some remarkable alcoholic rehabilitation programs and employment programs. I might add programs for the aging are going to be destroyed if the Administration has its way.

The program provides for Federal matching of State and locally contributed funds on a 3 to 1 basis with funds to be expended pursuant to a State plan approved by the Department of Health, Education and Welfare.

There is no question that this program was in danger of abuse last Fall. Some States did plan to convert large portions of their existing

welfare budgets to Social Services in order to take advantage of Federal matching provisions.

To prevent such abuse, the Congress in enacting Federal revenue sharing last September imposed a $2.5 billion ceiling on Federal Social Services expenditures and allocated individual ceilings among the States on the basis of population. This congressional ceiling was designed to prevent abuse while preserving the program as it presently exists. And administrative efforts to define the scope of activities which can be funded might well further improve the program.

But proposed regulations announced by HEW last Thursday do not represent an effort to improve the Federal-State-local Social Services partnership. Instead, they would tear the heart from the program in order to reduce the Federal commitment by at least $600 million below the congressionally established level of $2.5 billion.

First—against the recommendation of former HEW Secretary Elliott Richardson—these regulations seek to repeal the use of privately contributed funds—from charitable organizations such as the United Way of America—to make up the required local or State match.

This is an outrageous step. In every State in the Union, some of the most creative and sensitive work being done with people needing Social Services is in the private sector. Religious organizations in my State, the Catholic, Lutheran, and other churches, do remarkable work. The private charitable organizations, such as United Fund and the rest—long-established and seasoned and experienced and committed people—suddenly are arbitrarily and without any notice smashed. There will be no Federal funds to match these programs. This is a principle that is well-established.

This is ironic from an Administration which has stressed the importance of private charity * * * but it does save Federal money in the short term unless the difference is made up from State and local tax revenues but I suspect that increased welfare costs will wipe out even this paper "savings."

Second, these proposed regulations would repeal the current use of "in kind" contributions for the non-Federal match. Permitting the non-Federal match to include donated space, equipment or services is not only fair, it is essential to the continued operation of many existing programs.

Third, by rigidly limiting services for former welfare recipients to 3 months, and by barring aid to potential welfare recipients with incomes more than 1⅓ times the welfare level, these proposed regulations severely weaken our efforts to help individuals move from reliance on welfare benefits to a position of financial independence.

For example, under this new definition, former welfare recipients appear to be denied eligibility for day care just after that day care has permitted them to find employment and leave the welfare rolls. Unable to afford adequate care for their children, they are likely to be forced back on welfare. This is precisely the kind of mixed up incentive system which traps people in poverty, and destroys faith in the good intentions of Government.

Fourth, these proposals remove any reference to the Federal Interagency Day Care Standards—which establish minimal protections for

children in federally assisted day care and which have been in effect for the last 5 years.

If these standards are lifted, cheaper care will be possible * * * in custodial warehouses with few and poorly trained staff. But the cost to the children will be far greater than any savings to the Federal treasury.

Wouldn't it be a remarkable commentary on this Nation with a gross national product in excess of a trillion dollars if one of the major new elements in the American life was not only the rising number of working mothers, which is rising dramatically with over 40 percent of the mothers in our country today, I think, working, as well as the husbands, but that in the course of that we sacrificed the future of the children because if there is one thing that we found out in our study of children and our work on child legislation is that one of the worst things you can do is to force parents to leave them home and to work, and then take those children and put them in humorless, loveless custodial care warehouses and stack the children during the day in that heartless way. The damage that you do to those children is absolutely unbelievable.

The testimony on this is beyond doubt but yet by scraping these old and minimum standards for day care, we are creating a very, very serious risk that the commercial drive to establish day care centers and to cut costs will be done at the expenses of thousands and thousands of children who are without their parents, where they should really be if we can possibly do it. That is where children should be, with their parents. That is where I was and I think that is where you were and that is where they ought to be.

But if they can't be with their parents, then the children have to be provided the best we can provide. The President, through his actions, threw those out and totally disregarded minimum standards. There will be no protection for children from now on.

Fifth, the restrictive list of permitted activities appears to exclude worthwhile existing programs, such as those engaged in the treatment of alcohol and drug-related problems. I wonder whether victims of drug-induced crime * * * or an alcoholic's hit and run victim * * * will consider this a "saving."

Sixth, by requiring quarterly—and in some instances more frequent—reports on each person receiving aid, the new regulations threaten to drown the social services program in red tape. From an administration which prides itself on trimming wasteful bureaucracy, this amounts to a breach of faith.

As an excellent editorial in the Washington Post pointed out recently, "these regulations are a reversion, almost to the point of parody to the worst traditions of an ingrown and paternalistic bureaucracy * * *. Boom days are ahead for the paper industry and for the legion of minor clerks who will crank the sheets inside this large new welfare machine. But for that part of the population which is poor, and may actually need help, the outlook is not so jolly."

And these regulations involve more than just a backward step into unnecessary bureaucracy and confusion. They also constitute an effort to cut back spending for desperately needed social programs by any-

where from $600 million to $1 billion. That same Washington Post editorial said it well.

As a budget device, the new regulations amount to impoundment by red tape. Although the authorization is $2.5 billion, Mr. Nixon's budget provides only $1.9 billion for next year. The Administration is clearly mounting on the weight of the regulations to prevent the states from obtaining their fair allotments.

MINNESOTA IMPACT

In the State of Minnesota alone, these regulations would have a disastrous impact. Estimates indicate that human programs in Minnesota would lose $20–$22 million as a result of these regulations. Some 13,000 adults and 24,000 children receive social services every month in Minnesota, and estimates suggest that these regulations could result in a reduction of over 50 percent in those currently being served. Specifically, it is estimated that these regulations would result in cutbacks of the following programs: $2 million cut in day activities centers for retarded children; $1.5 million cut in detoxification centers; social services to the aged would be cut in half; other mental health services would lose $1.3 million; and a total of $4 million would be cut from services in the area of alcohol and drug treatment, migrant day care, pilot city, legal assistance, corrections and blind services.

Minnesota has some of the most sensitively run, highest quality day care programs in America—and they would be dealt a crippling blow by these proposed revisions.

Greg Coler, executive director of the Greater Minneapolis Day Care Association, estimates that 95 percent of the over $2 million worth of day care provided by his organization would be lost if privately contributed funds could not be used as local match. And after sampling half of the 1,200 children his organization serves in day care programs, Mr. Coler reports that an estimated 60 percent would be ruled ineligible if these new regulations took effect.

Gary Winget, executive director of the Greater St. Paul Council for Coordinating Child Care provides similar documentation of the severe impact these regulations would have on programs in St. Paul. Mr. Winget estimates that under these proposals, Ramsey County would:

Lose up to $1.2 million in federal and private day care programs annually, eliminate up to 528 children in low-income and target area families from day care programs, and force an unknown number of working parents with marginal incomes off of employment and on to AFDC.

Finally, the highly successful HELP program at the University of Minnesota—through which 300 to 400 AFDC mothers and 400 to 500 other disadvantaged individuals are receiving college education—is seriously threatened. Forest Harris, director of this excellent program, reports that he has been informed by the State department of welfare that these new regulations may make it impossible to continue providing the books, tuition, child care and transportation which makes it possible for these welfare recipients to continue their education.

Mr. Chairman, I deeply hope that the Administration will reconsider their regressive proposals * * * and that the Congress will

seek to strengthen the existing partnership of Federal, State and local governments in the area of domestic social policy. If we on the Federal level turn our backs, the American people will pay * * * in higher State and local taxes, in increased costs for welfare and crime, and in the waste of thousands of human lives.

Mr. Chairman, I ask that a copy of a letter concerning social service regulations to Secretary Weinberger, signed by myself and 45 other Senators, and Secretary Weinberger's reply be included in the record following my statement.

Mr. Chairman, as you know, as the cosigner of this letter, the cosigner tried to bring to the attention of Secretary of HEW the disastrous consequences of this unilateral and I think illegal termination of the essential social services. I genuinely hope the administration will reconsider these proposals and that the Congress will elect to strengthen the existing partnership of Federal, State and local governments in the area of domestic social policy. If we, on the Federal level, turn our backs, the American people will pay in higher State and local taxes, in increased costs for welfare and crime and in the waste of thousands of human lives.

Senator Muskie. Thank you very much, Senator Mondale. You have made a significant contribution to the record, I feel, and the letters you refer to will be placed in the record.

[The letters referred to follow:]

U.S. Senate,
Committee on Labor and Public Welfare,
Washington, D.C., February 14, 1973.

Hon. Caspar Weinberger,
Secretary of Health, Education, and Welfare,
Washington, D.C.

Dear Mr. Secretary: We are extremely concerned about reports that forthcoming social service regulations may make fundamental changes in the operation of federally-assisted programs in the fields of day care, aid to the elderly, mental retardation and juvenile delinquency.

In particular, we would like to register our strong opposition to the reported administrative repeal of existing provisions which permit the use of privately contributed funds—from charitable organizations such as the United Way of America—to make up the required local or State match. This proposed change would seriously undermine the excellent, existing private-public partnership approach to human problems. These kinds of cooperative efforts should be encouraged rather than discouraged.

Such an extreme change an the existing social services programs is unwarranted. Fears of an uncontrollable budget in this area were resolved by the $2.5 billion ceiling on Title IV–A which the Congress adopted last year. And less extreme proposals for dealing with isolated examples of abuse have been offered by individuals such as former Secretary Richardson. We are attaching for your information a copy of a letter Secretary Richardson sent to Representative Wilbur Mills last October concerning this issue.

In addition, we would like to express our concern about other parts of the reported new regulations, such as those which would repeal the current use of in-kind contributions for the non-federal match; deny day care eligibility to former welfare recipients just after this day care program has permitted them to find employment and leave the welfare rolls; and raise serious questions about whether the Federal Inter-agency Day Care Standards—which establish minimum protection for children in federally-assisted day care and which have been in effect for the past 5 years—will continue to apply.

We respectfully request that we be informed in advance about any proposed changes in areas such as these, and that if and when any changes are proposed they be available for public comment and later revision.

With warmest personal regards.

Sincerely,

Jacob K. Javits, Abraham Ribicoff, Adlai E. Stevenson III, Birch Bayh, Edward W. Brooke, Clifford P. Case, Alan Cranston, Thomas F. Eagleton, Mike Gravel, Vance Hartke, William O. Hathaway, Harold E. Hughes, Edward M. Kennedy, Gale W. McGee, Thomas J. McIntyre, Walter F. Mondale, Bob Packwood, James Abourezk, J. Glenn Beall, Jr., Clinton N. Burdick, Frank Church, Peter H. Dominick, J. W. Fulbright, Philip A. Hart, Mark O. Hatfield, Walter D. Huddleston, Hubert H. Humphrey, Charles McC. Mathias, Jr., George McGovern, Lee Metcalf, Frank E. Moss, Gaylord Nelson, Claiborne Pell, Jennings Randolph, Robert T. Stafford, Robert Taft, Jr., Harrison A. Williams, Jr., Joseph M. Montoya, Edmund S. Muskie, Sam Nunn, Charles H. Percy, Richard S. Schweiker, Ted Stevens, John V. Tunney, Dick Clark, Stuart Symington.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., March 14, 1973.

Hon. WALTER F. MONDALE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MONDALE: Thank you for your expression of concern over the proposed revisions in the social service regulations which govern programs operated under the public assistance titles of the Social Security Act.

A Notice of Proposed Rule Making was printed in the Federal Register February 16. We believe the redirection in the regulations is consistent with Congressional intent when titles I, IV–A, X, XIV, and XVI were amended in 1962 to allow 75% Federal matching of the costs of social services.

The amendments were added to encourage States to provide services in order to help people receiving public assistance to become self-supporting or self-sufficient and to prevent families and individuals from becoming dependent on welfare. The Administration has always understood that these programs were targeted entirely for the poor and near poor, among whom are some mentally retarded persons, as well as aged persons and youth in danger of delinquency. Other Departmental authorities, however, are designed specifically to serve individuals and groups with special problems such as mental retardation, regardless of income. Eligibility for federally supported public assistance social service programs is limited to families and individuals on welfare and those who are very close to dependency on such assistance.

The Department has been engaged in a lengthy discussion of the use of private funds as the State's share in claiming Federal match. Members of Congress, particularly those on the Senate Finance Committee, have expressed concern over continued recognition of these funds. This matter also was brought up recently in the hearing on my confirmation as Secretary of Health, Education, and Welfare. Consistent with the concerns expressed, we have included a prohibition on the use of these funds in the proposed regulations. You may be assured that the Department will analyze very carefully comments on this subject in order to determine the most appropriate position. However, at no time has use of in-kind contributions been valid for matching under these programs. These rules imply no change in that prohibition.

There appears to be some misunderstanding of the intent of the proposed revisions. At State option, any family in danger of becoming dependent on welfare within six months is eligible to receive day care and other services in order to allow the caretaker to accept training or employment. If such a family is not eligible as a former recipient within the three-month limitation, but might be forced to return to welfare without day care services, it is possible that the family may again be determined to be eligible under the "potential" category.

The six-months' limitation for potential recipients does not preclude receipt of services for a longer period of time; it does require States to certify, at the end of the six-month period, that the recipient is still in immediate danger of welfare dependency if services were not provided. The purpose of the provision is to make certain that States do periodically review these categories.

We are mindful of the necessity and importance of day care standards. The existing Federal Interagency Day Care Requirements are now under intensive review and will become effective as soon as final clearance and approval procedures are completed.

The purpose of publishing proposed regulations is to stimulate discussion of the provisions before final rules are set. After you and members of your staff have studied the proposed regulations, we hope you will comment further. I am asking Departmental staff to be available to assist in interpreting specific provisions to assure a better understanding of the purposes of the revised regulations.

Sincerely,

CASPAR WEINBERGER,
Secretary.

Senator MUSKIE. Senator Mondale, your statement dwells upon the consequences of these cuts. I think we need also to focus upon the means used by the administration. I was struck by the testimony of Richard P. Nathan last Friday before this subcommittee. He was described as one of the architects of this new Federalism, and I was struck, I might add, as well by other statements including some statements attributed to Howard Phillips in Mr. Broder's column in this morning's Post suggesting that in their views the end justifies the means. It suggests that they are not concerned about the Congress, its role in the shared responsibilities dealing with the national welfare, established precedents and practices and even constitutional legislative procedures that are designed to give everybody an input into the policymaking decisions that are going to affect the future of these programs.

I think it is their abruptness, their arbitrariness, their ignoring of congressional responsibilities—and I am not talking about prerogatives; I am talking about responsibilities as they undertake to dismantle these programs—that concerns me most. One could argue, I suppose, about the merits of particular programs but this administration gives us no opportunity to consider the means that it uses, no opportunity to achieve balanced consideration of the merits. And I think we need to be as concerned about that as about the consequences, which the Senator so eloquently and so ably spelled out this morning.

Senator MONDALE. As the chairman knows, the now famous memorandum in which the OEO privately laid out its strategy for the illegal termination of OEO programs, said a couple of interesting things. First of all, it was very clear that they knew what they were doing was illegal, but that they were going to do it swiftly and in a way that Congress could not act and that, secondly, they knew that there would be a great deal of opposition to their cuts and, therefore, they said, we must resort to hyberbole, which in Minnesota is known as lying, in order to discredit those who would be foolish enough to argue for help for the poor. That is what is happening, of course, and it is happening in all of these programs and the chairman is well aware of that.

I think what isn't happening is that we are not reacting in Congress as we must. I don't think words hurt them. I think they are ready

for that. I think what will require them to return to legal and constitutional principles is what I call counter-impoundment. If they won't obey the law for our farmers, then I think we ought to cut money off for the Defense Department.

If they won't help people with social services, then I think we ought to cut off the money for foreign aid. If they won't continue with the laws that provide housing for the low- and moderate-income people, which the chairman has worked on for so many years, or for Model Cities, then I think we ought to turn the lights out in the White House because they sure turned out the lights for us and for our programs, and I deeply regret having to speak in these terms but there is no doubt about what they intend to do because they are doing it.

This is the most wholesale, massive, illegal termination of Federal programs in the Nation's history. It is in total contempt of Congress and in derogation of the constitutional powers and systems of this country.

I think the time has come for the Congress to react in the one way that will make a difference. I don't think they worry about resolutions and words at all.

Senator MUSKIE. In that connection, I might note for the record that in the Foreign Relations Committee yesterday the committee adopted an amendment proposed by Senator Fulbright, the chairman, in effect, congressionally impounding foreign aid funds so long as the Executive impounds appropriations for domestic programs. This is not a precise instrument that we have available to us, but I would agree that we have to find means that hurt.

Senator MONDALE. But the same day we did that, we gave them 6 months continuing resolution for HEW and all. I think we should have given them a 3-day extension and just kept them on a short rope until we have an understanding about the coequality of powers. Right now, we have given them the money and now we are going to shovel some critical words on them. I think they prefer the money.

Senator MUSKIE. The Senator and I were on the same side of that issue yesterday.

Senator MONDALE. You are right again.

Senator MUSKIE. Well, I guess we better stop patting each other on the back, Senator, and get on to our distinguished guests today. Thank you very much for your testimony this morning.

We do have some distinguished visitors this morning and I would like to welcome them all. I am a member of their alumni association and in good standing, I hope. This is a group of distinguished Governors from the 50 States. The national Governors are meeting in Washington today and I think it is very appropriate that these distinguished Governors should have accepted our invitation to come here and testify and I would like to invite them all to come to the table and I will make a few observations before inviting them to testify.

I will first read their names alphabetically. I am not sufficiently sure of the order of admission to the Union, but present are:

Gov. Dale Bumpers of Arkansas; Gov. Jimmy Carter of Georgia; Gov. Kenneth Curtis of Maine; Gov. Daniel Evans of Washington; Gov. Wendell Ford of Kentucky; and Gov. Linwood Holton of Virginia.

Gentlemen, it is a pleasure to welcome you all.

Before I invite your testimony, I would like to put some materials in the record.

I would like to put in the record the Harris survey which was reported earlier this week, indicating public support of some of these programs that the President is cutting. Finally, I would like to include in the record a letter from the distinguished majority leader, who has never been a supporter of general revenue sharing. He uses his letter to point out that the administration in its actions in cutting these programs has justified his fears about revenue sharing and invites those of us who supported general revenue sharing to support his position at this time. And I think his letter is most timely and so I ask that this be put in the record.

If there is no objection, they will be placed in the record because I think he makes a good point.

[The above referred to documents follow:]

THE HARRIS SURVEY—PUBLIC DISAGREES WITH MOST OF NIXON WELFARE CUTBACKS

(By Louis Harris)

The American people are not in agreement for the most part with the budget recommendations of the Nixon administration to cut back a number of long-established federal social welfare programs. The decision to eliminate the Office of Economic Opportunity, the coordination agency for the antipoverty program, for example, is opposed by 46 to 39 per cent.

The major finding of an intensive, special Harris Survey on the Nixon budget shows the public to be in favor of increased spending for such things as job training, rural electrification, Head Start and new hospital construction, even though a majority agrees, by 59 to 28 percent, that "President Nixon is right in saying that inflation cannot be controlled unless federal spending is cut to the bone."

Between Feb. 14 and 17, a cross-section of 1,505 households was asked:

President Nixon has ordered a sharp halt in rises in spending by the federal government, pledging to keep spending at no more than $269 billions a year. How likely do you feel it is that President Nixon will be able to keep federal spending from going above that limit—very likely, only somewhat likely or highly unlikely?

	Total public percent
Very likely	15
Only somewhat likely	42
Highly unlikely	34
Not sure	9

Of course, one reason for the public's pessimism on achieving a ceiling in federal spending is that the public, itself, is inclined to oppose many of the major cuts proposed by the President.

To determine attitudes on specific budget recommendations the cross-section was asked:

Let me read you some of the areas of federal spending where President Nixon has proposed some major changes. For each, tell me if you tend to agree or disagree with what President Nixon has proposed. (*Read list.*)

[In percent]

	Agree	Disagree	Not sure
Increase social security payments	70	25	5
Increase pay for military personnel to prepare for volunteer army	68	24	8
Increase Federal aid for education to State and local governments	66	26	8
Eliminate Model Cities program	48	31	21
Expand program to aid minority-owner businesses	48	38	14
Cut down farm price support paid to farmers	44	44	12
Cut back spending for urban renewal programs	43	42	15
Eliminate Office of Economic Opportunity, the agency running the antipoverty programs	39	46	15
Increase spending for research into new weapons systems	33	58	9
Cut back loan aid under rural electrification	31	47	22
Cut back Job Corps, designed to help train disadvantaged young people	29	64	7
Place less emphasis on enforcing minority rights and more emphasis on enforcing rights of women	27	50	23
Eliminate the Head Start program, designed to help disadvantaged children prepare for school	25	69	6
Cut back on Federal aid for building new hospitals	24	70	6
Cut back free milk in school lunch programs	18	79	3
Make older people pay more than they now pay for Medicare	5	92	3

U.S. SENATE,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., February 23, 1973.

HON. EDMUND MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations,
Committee on Government Operations, U.S. Senate.

DEAR MR. CHAIRMAN: It is a matter of public record that I did not support and voted against the legislation which authorized General Revenue Sharing. The early implementation of this program has only reinforced my suspicions.

I am pleased that the Subcommittee has taken the initiative in reviewing the program and I hope that these earnings will help to place the concept in its proper perspective.

The United States operates under a Federal system with three co-equal branches of government, the Executive, the Legislative and Judiciary. The Congress has "all legislative powers" and inherent responsibility to administer and disperse the funds gathered through tax collections and other revenue sources. Revenue Sharing professes to return fiscal responsibility to local government allowing them the basic decisions on how Federal funds will be spent. This basic philosophy creates a monstrous middleman. Why not cut Federal taxes and let the States and cities take care of themselves. If Revenue Sharing continues vast amounts of monies appropriated will be absorbed in administration and building costs.

Also, I am deeply concerned with the way the General Revenue Sharing plan was promoted. The inducement of additional "no strings attached" funds were offered to hard-pressed state administrations and municipal government. Nothing was said about displacement of current Federal funds.

We now find local governments making plans to utilize their revenue sharing allocation for any number of necessary local programs or for property taxes, only to now discover that they will have to use the money for one or more grant-in-aid programs that this Administration is attempting to abolish. If the Administration truly believes in the concept of Revenue Sharing, the first step should have been a two or three year period of instruction and cooperation in the development of the concept at the state and local level; encouraging improved salary scales, more professional and competent administrators in local government.

The governors, mayors and managers of local government should have been alerted to the benefits as well as the shortcomings of this concept. This was not done. A few of our large urban states are equipped to handle such programs because of their existing framework. Unfortunately this does not apply to the vast majority of the states, cities and towns. I am convinced that these levels of government have been lead down the garden path and are only just beginning to realize what is happening. I am delighted that many of the mayors of the Nation have now come to realize the problems as they have indicated of this Subcommittee.

I also am concerned that many worthwhile programs are now destined to be abolished and that their future will depend on the new special revenus sharing proposal. This is a new form of fiscal bribery. I am confident that we will soon regret any further involvement in revenue sharing.

Programs now on the books may not be in the answer to all of our Nation's needs. However, the meat ax or abolishment of programs hardly is the proper solution. I do not advocate excessive Federal spending. There is a need to enforce fiscal responsibility, but the Congress should exercise its overview authority by reviewing existing programs, tightening up where practical and if appropriate, abolishment.

In conclusion, I wish to make it quite clear that in my judgment these are decisions to be made by the Congress. Any other approach is an encroachment on the Constitutional responsibilities of the Legislative Branch. I do not believe that Revenue Sharing is now working and I do not believe it is going to work in the future. Let us redirect our energies in the continuing effort to modernize the governmental process at the national, state and local level.

Mr. Chairman, I ask that this letter be made a part of the permanent record of these hearings.

With best personal wishes, I am

Sincerely yours,

MIKE MANSFIELD.

Senator MUSKIE. The mayors the other day testified before this committee that, in their judgment, the President had broken a commitment made to them that general revenue sharing would not be called upon to carry the burden of special categorical programs but that promise has been broken and that they are now shaken in their support of general revenue sharing.

I think that is a point that needs to be stated frankly.

STATEMENTS OF HON. DALE BUMPERS, GOVERNOR OF ARKANSAS; HON. JIMMY CARTER, GOVERNOR OF GEORGIA; HON. KENNETH M. CURTIS, GOVERNOR OF MAINE; HON. DANIEL J. EVANS, GOVERNOR OF WASHINGTON; HON. WENDELL FORD, GOVERNOR OF KENTUCKY; AND HON. LINWOOD HOLTON, GOVERNOR OF VIRGINIA

Governor HOLTON. Excuse me, sir, but would that be the distinguished majority leader of the U.S. Senate?

Senator MUSKIE. Yes, Senator Mansfield.

Governor HOLTON. Yes, sir; I was interested in your comment because the Washington Post reported yesterday that he said that the "antipoverty programs should be cut drastically and I think that there have been too many administrators drawing too large salaries, with too much going to overhead and not enough going to the people." I think that point should be made in the record along with his letter.

Senator MUSKIE. Well, then, in order to put that comment in perspective, let me read this from his letter:

Governor HOLTON. Yes, sir.

Senator MUSKIE. It says——

Governor HOLTON. I hadn't seen the letter but I did see the Post.

Senator MUSKIE. Well, this statement from his letter appeared in the Post either today or yesterday:

"Programs now on the books may not be the answer to all of our Nation's needs. However, to give them the meat ax or abolishment of programs, hardly is the proper solution. I do not advocate excessive Federal spending. There is a need to enforce fiscal responsibility, but

the Congress should exercise its overview authority by reviewing existing programs, tightening up where practical and, if appropriate, abolishing them. In conclusion, I wish to make it quite clear that in my judgment, these are decisions to be made by the Congress. Any other approach is an encroachment on the constitutional responsibilities of the legislative branch."

Senator Mansfield, and I am sure all Senators, agree that we may disagree about the merits of particular programs, but what he is concerned about is the abrupt, arbitrary, unilateral means used by this administration to make that judgment and to take that beyond the review of the Congress. That is the point of Senator Mansfield's letter. He is against general revenue sharing. I was for it, but we agree on that point.

Governor HOLTON. I certainly agree with that, too. I agree that the Congress should exercise its responsibilities and, if it did, this approach taken by the present administration would be unnecessary, sir.

Senator MUSKIE. Well, let me make the point, Governor, that the President signed into law last November a—no, last September—a 2-year extension of the war on poverty. That was for 2 years. A few months later, without submitting his recommendations to the Congress, he appointed as director of that program a man who has not yet been confirmed by the Senate, and who is required to be confirmed by the Senate, who will not be submitted to the Senate for confirmation for awhile, and whose philosophy is to dismantle with relish the program that the President extended for 2 years with his signature last September.

Now, what opportunity is there in that procedure for the Congress to assert its responsibilities with respect to reviewing the program?

Governor HOLTON. Senator, the President's patience has run out and I would like to say it ran out——

Senator MUSKIE. Wait a minute. Why didn't he exercise that impatience when he signed that?

Governor HOLTON. I would add that my patience would have run out.

Senator MUSKIE. But why didn't—and, Governor, you are a Governor as I was——

Governor HOLTON. Yes.

Senator MUSKIE. Why didn't his patience run out before he signed that?

Did his patience become exhausted in the few months between the time he signed the law and the time he undertook by Executive fiat to dismantle this?

Governor HOLTON. Yes, sir.

Senator MUSKIE. Why didn't he use the constitutional veto power to indicate his impatience, then?

Governor HOLTON. I don't know.

Senator MUSKIE. And challenge the Congress to use that means to override his decision? Instead he used a means for which the Congress has no power to override.

Governor HOLTON. The Congress does have power——

Senator MUSKIE. Does the Governor concur in that procedure? Answer that?

Governor HOLTON. I concur completely. The Congress has complete power to discipline itself, Senator, and stop the massive uncontrolled and undisciplined spending of Federal funds. You folks don't adopt a budget the way you had to do in Maine when you were Governor. You adopted 8 or 10 budgets and——

Governor CURTIS. Mr. Chairman, in all due respect to my colleague from Virginia, we have all some comments we would like to make about the budget. We respect Mr. Holton's and would like to proceed in an orderly fashion if we could.

Senator MUSKIE. The Governor makes a point and although I have been tempted into a colloquy that I thoroughly enjoyed, we will go on to your statements.

I just don't believe the end justifies the means. I will make this point, that this Congress cut the President's budget by $20 billion over his first term, so let's not talk about fiscal responsibility as a one-party thing.

With that, may I ask the Governor from Maine, not because he is my home State Governor, but because he is the senior Governor present, to take over this discussion, to begin. I am sure we will have ample opportunity, Governor Holton, to challenge——

Governor HOLTON. I didn't realize Governor Curtis was the senior Governor. Governor Evans of Washington, I believe, is the senior Governor with 12 years in the statehouse.

Senator MUSKIE. I would be glad to turn it over to Governor Evans then, if you fellows would just get your seniority problems resolved.

Governor HOLTON. We didn't have one.

Senator MUSKIE. Until I created it?

Governor HOLTON. That is right.

Senator MUSKIE. But, in any case, I was misinformed, as I often am, but in any case, we will have plenty of opportunity I am sure, to hear all sides. Senator Roth is here on the other side and Senator Metcalf and we have a bipartisan panel of Governors, and I hope we will get into a healthy and vigorous exchange of our differences and views so we can hammer out those differences.

Governor Curtis, since I had asked you to present the Governors—even if for the wrong reason—I will now ask you to take over the panel and present your distinguished colleagues?

Governor CURTIS. Thank you.

First, let me say you were both right, because I think Governor Evans is a late entry here today and I was senior until he came in——

Governor EVANS. I can't think of a better senior Governor.

Governor CURTIS. I didn't want to take up a lot of time but on behalf of my colleagues, I would wish to extend my sincere appreciation to you and the members of the subcommittee for inviting us here today. Whether we wind up agreeing or disagreeing, there is one thing we agree on. We appreciate your interest in our problems and your willingness to let us come before you and give you our various points of view.

What we are going to try to do—and Governors are sometimes similar to Congressmen; we run over our time limits—we are going to make an attempt to limit our presentations to about 5 minutes each.

With that, the first Governor I would like to ask to speak this morning is the Honorable Wendell H. Ford of Kentucky.

Senator MUSKIE. Governor Ford, I appreciate your coming here and welcome you.

STATEMENT OF GOVERNOR FORD

Governor FORD. Senator Muskie, and distinguished members of this subcommittee, by permitting the Governors to testify on the President's budget, you are taking a step beyond the normal accumulation of pertinent information. You are permitting a forum to illustrate how the rhetoric of the White House does not coincide with the realities of Mr. Nixon's budget. I believe we—the Congress, the Governors and the other officials, have a coordinated responsibility to first inform the general public of what can actually happen to our social, economic and environmental systems, if this budget is accepted. Next, we must try to alter the programs so they will indeed come more into line with the President's publicly expressed intentions. Thus far, there has been no clear explanation as to the dramatic differences in what the President has been saying and what his budget actually dictates.

Careful and clever wording of statements from the White House have shrouded the real implications of this budget. Certainly I favor fiscal restraint, reduction of the Federal deficit and the concept of people doing more for themselves. I favor the philosophy of State and local governments assuming more responsibility and delivering needed services to the people.

The primary consideration in seeing this come to pass, though, must be in the mechanism used. I don't find a mechanism in this budget. I see a hardware oriented budget as opposed to one where compassion for the people is realistically demonstrated.

I see the preemption of necessary time period which must be given to States if they are to properly react to the administration's efforts to decentralize authority. I see increases in taxes—those most regressive—which sharply challenge the President's contention that there will be no tax increase.

I see negative results from the budget in the area of reducing unemployment and providing us with a stronger economy.

The impact on Kentucky is alarming to those of us who are trying to educate children, who are trying to provide sufficient medical care to the sick, who are trying to make life better for the blind, disabled and elderly. The impact is alarming to those of us who recognize the critical need for vocational training for industrial development.

These and other matters are discussed in more detail in my submitted statement, but, in conclusion, let me call your attention to what I feel is the most dangerous concept in this budget.

If the President's now federalism is to work by transferring obligations to the States, there must be sufficient time for an orderly transition plus the provision of adequate funding. States are being asked to do in 4 months what it has taken the Federal Government 40 years to accomplish.

We hear of special revenue sharing yet we are at a loss as to when this might occur, as to what level it will be, and as to what restrictions will be placed.

Are there other alternatives? I suggest the answer is an unqualified, "Yes." We have heard of tax reforms and promises of tax reform. This budget appears to ignore tax reform. We see an increase in defense

spending now that we have peace with honor. We continue to subsidize foreign countries at levels beyond our moral obligations in view of our moral obligations at home.

I suggest the President should call for more self-sufficiency on the part of other countries, if he expects it of Americans.

We hear of rebuilding North Vietnam, though the budget does not address itself to allocations. What other domestic programs or what new taxes will be imposed to finance a rebuilding of our enemy's country? If the answer is neither, then where does the money come from? Let's rebuild America first, a country that has suffered domestically for 10 years because of a war that none of us wanted. Let us not diminish economic strength and growth by making thousands upon thousands jobless, by keeping students out of colleges and vocational schools which will add to the unemployment rolls and by restricting States in their ability to generate industrial growth.

In Kentucky, during the last 14 months, we have come within two-tenths of 1 percent of what Mr. Nixon considers full employment. The elimination of Federal programs and these corresponding results will dramatically send us in the opposite direction.

No Governor, in my opinion, will abdicate his responsibility in assuming more of a role in administrative matters, but yet no Governor, in my opinion, will stand by and permit the collapse of human resource programs and the erosion of public confidence in their governments which this budget indicates will happen.

Thank you.

Senator MUSKIE. Thank you, Governor Ford, and may I say the complete statement will be included in the record.

[See prepared statement of Governor Ford, p. 166.]

Senator MUSKIE. Governor Curtis?

Governor CURTIS. Mr. Chairman, you have heard a lot said in recent months about mandates, and I don't know who can better explain the mandates than Governor Dale Bumpers of Arkansas.

Senator MUSKIE. It is a pleasure to welcome you here to Washington.

STATEMENT OF GOVERNOR BUMPERS

Governor BUMPERS. Mr. Chairman and members of the subcommittee, if I may, I filed a formal statement and, with your permission, I would like to speak extemporaneously.

Let me first say, I strongly suspect Senator Mondale to be guilty of plagiarism because his statement last month was right on target, from my standpoint. Second, I would not want to debate the merits of indivdual programs but to simply point out some of the very disastrous and chaotic effects the President's impoundments and guidelines are having in my State in our budget process.

Our budget is close to $1 billion and 23 percent of that is in Federal funds. Now, obviously, we have come to rely on those funds particularly in the field of social services and human resource programs.

Really, I think what has happened here is that we have entered into a contract with the Government, at the Government's insistence. This is particularly true in the field of social services where we were invited to expand programs, for example, which required title IV(a) funds.

We have over 15,000 children in the State of Arkansas who are mentally retarded and need help but we were caring for less than 1,500 of them.

When I first became Governor, we began to expand what we called our community facilities—first, in the belief that this was the only suitable method and, second, philosophically, I am opposed to institutionalizing children except as a last resort. We had 29 community facilities caring for about 400 children when I became Governor but with title IV funds we expanded that to 82 community facilities, which we now have, caring for over 2,000 children. This is aside from the approximately 1,600 we are now caring for in our institutions.

Now, under the new guidelines, without question, virtually every one of those centers will have to be closed until the State picks up the tab. For example, it would be impossible for us to keep the centers open in view of the guidelines that private funds may not be used to match Federal funds; that is, the 90–10 ratio.

Now, when we go into economically deprived areas, each person in that area must be individually certified as eligible; whereas in the past, if they were potential or present welfare recipients, they were all eligible. And it was through these guidelines we were able to develop very meaningful social programs in the State of Arkansas.

If you will pardon the expression, but in Arkansas we say you don't have to be broken out with brilliance to understand what the net effect is going to be—since the national priorities are not the same as the State's priorities—we must pick up these programs at our own expense. Therefore, what the Federal Government in effect is doing, first of all, is using revenue sharing as a sort of hoax and, secondly, they are quite obviously shifting the tax burden to us.

So, in the fields of mental retardation, aid for the blind, educational, health care—and I might state here primary health care—for example, are a very big problem in the State of Arkansas. We have some counties that only have one family practitioner. So, I made a massive commitment earlier in my administration to dramatically expand our one medical school and double the enrollment capacity. This was going to require a $30 million outlay; $18 million of which we were willing to pay from State funds and $12 million of which would come from Federal funds.

Now, in the past 3 months we have determined there will be no Federal funds available and we cannot make this massive commitment. Therefore, we cannot meet the problem of primary health care in the State of Arkansas.

And revenue sharing: Now, as the chairman mentioned a moment ago—and I think as Governor Ford mentioned—revenue sharing will not even begin to pick up the tab for us. In one department alone of our 13 departments, that is social and rehabilitative services, we will use aproximately $11 million and we are only getting $8.3 million from Federal revenue sharing.

Finally, I would like to comment on title V Commissions, which the President proposes to dismantle. This is after we were invited 1 year ago here in Washington at the National Governors' Conference to go coast-to-coast with regional commissions. Arkansas is in the Ozarks Regional Commission. Only certain counties in the States of

Arkansas, Oklahoma, Kansas and Missouri, were included. We invited all of the other counties in those States, Louisiana, Mississippi, and Tennessee to join us. Louisiana chose to do so.

At about the time the Ozarks Regional Commission was expanded to include these areas, we found out that the title V Commissions were to be dismantled. There are those who say—particularly Secretary Romney, who serves on the President's Advisory Commission on Intergovernmental Relations—that the Governors simply sit down and divide up the title V money. This may be a legitimate criticism of some Commissions and in ours it is to some extent legitimate, but it begs the question.

I feel that our title V Commission has been extremely effective and the Economic Development Administration, which is about to be dismantled, has spent $55 million since 1965 in Arkansas and has in the process created 29,000 new jobs. As a result of both the title V Commission and the Economic Development Administration, the State of Arkansas has enjoyed an unemployment rate which is far below the national average for the past 2 years.

Mr. Chairman, I could go on and on about the disastrous effects and the disruptive effects that the absolute discontinuance of funds is having on us. What the President is saying—and I hope this doesn't sound partisan because I don't mean it to be, but I am trying to look at it objectively and realistically—is that your funds are being cut as of today and if Congress goes along with all of our special revenue sharing funds, then some of your funds will be restored.

So, we are in a position of not knowing what programs we can pick up, which ones we should pick, whether Congress is disposed to go along with the President's plans for special revenue sharing and on and on.

I will end there.

[See prepared statement of Governor Bumpers, p. 173.]

Senator MUSKIE. Thank you. May I add that the point of special revenue sharing will not be picked up until fiscal 1975, so the gap has not been provided for.

Governor CURTIS. Mr. Chairman, the next Governor who would like to testify is the Honorable Linwood Holton of Virginia.

STATEMENT OF GOVERNOR HOLTON

Governor HOLTON. Thank you.

We appreciate very much the opportunity to be here to discuss these matters with you.

I think this controversy should be recognized exactly for what it is, and that is, that it is a political battle between the executive branch of the Federal Government and the legislative branch of the Federal Government.

It is a very legitimate political controversy. The President has used a device, namely, impoundments, which is not novel or unique. As a matter of fact, the amount the President is impounding in the present fiscal year's budget is the lowest percentage impoundment in the last 8 years.

Now the President is using the device in a political battle to make the point that power and control of Federal spending should be

decentralized to the States. Understandably, this has evoked a massive outcry from the Congress of the United States because if you are handing it out today, why give up that opportunity? That is very simple to understand and I recognize that it is an oversimplification but this is why it has been so tough.

You recognized, yourself, Senator Muskie, how tough it was to get the general revenue-sharing bill passed in the beginning and it was a simple political job. But, this President—this administration—is seeking to give to the States a reincarnation—not of new federalism but of the original federalism; the way this country was established and the way it is going to have to go back if it is going to succeed economically.

If we are going to have prosperity without inflation—and goodness knows that is the problem today and that is what the President is trying to combat—he is trying to have this Congress, sir, discipline itself on the Federal budget. You can have no discipline when you do not pass a single appropriations bill, adopt a budget—as every State in the Union does every year because of constitutional inhibitions against deficit spending. You folks are able to print money to make up the difference, but we can't.

Now in fiscal 1972, the Federal Government spent $231 billion. The President proposes, using a device of impoundments among other means, to hold spending this year to $250 billion. He proposes in fiscal 1974 to go to $269 billion, which is an 8-percent increase. We are not in a position as Governors to talk about cuts because there will be no cuts; there will be increases.

There will hopefully be a reorganization of the Federal Government, of the Federal bureaucracy, if you please. The President has proposed four general categories. I did this in Virginia and found it necessary to use six. I did it by the exact device that he is using now, that is, a voluntary task force grouping of the agencies of the government of the State of Virginia and put voluntary chairmen in charge, just as the President proposes to put George Shultz, Earl Butz, Secretary Lynn and Secretary Weinberger in charge of the great broad areas of human resources, community development, economic affairs and natural resources.

He is attempting to replace these innumerable categorical grants with special revenue funds and to eliminate unsuccessful programs in favor of successful ones. I think an example of that is Head Start which will receive increased funding. And I think his battle, yes his battle, to establish a reordering of these priorities is entirely in order and that the device of impoundment—not created by him, but rather by Thomas Jefferson who did it the first time—those devices are entirely legitimate devices to get the attention of the Nation and of the U.S. Congress for the fact that we have to control Federal spending and that the best way to meet the needs of the people is to increase the utilization of the State and local governments. That is what the President proposes. He is not proposing a cut. He is proposing an 8-percent increase in Federal spending.

Senator MUSKIE. Tempting as it may be at this moment to respond, I will still leave the program in the hands of Governor Curtis.

Governor CURTIS. It is tempting for me, also, but I would like to introduce the Honorable Jimmy Carter of Georgia.

Senator MUSKIE. Governor Carter, I would like to take special note of the speech you made not too long ago in Washington before the National Press Club. I thought it was impressive and I want to thank you.

Governor CARTER. I would like to make that speech a part of the testimony that has already been submitted to you.

Senator MUSKIE. Without objection, it will be included in the record.[1]

STATEMENT OF GOVERNOR CARTER

Governor CARTER. Speaking as one Governor who did oppose general revenue sharing and who came to Washington to try to stop it when it was obvious that it would not be financed except out of existing programs, I would like to point out that the present altercation is not one simply between the President and the Congress. Perhaps the most important destruction of workable interrelationships is between the Federal Government and the States.

I think for the President to try to attract the attention of the Nation by putting retarded children out on the street is an improper exercise of executive authority.

First of all, let me make it clear that most of my own people in Georgia particularly favor either a Federal budget which is in balance, or one which has been very carefully designed to enhance the Nation's economy.

My own choice would be a balanced budget. I think it is a matter of record that during the last 4 years of this administration there have been $105 billion in budget deficits, in spite of the fact that the Congress, as you say, has cut $20 billion in net spending from the President's proposals.

Since the method of preparing the Federal budget is part of the problem, I hope that it won't be too presumptious to make a suggestion. Perhaps the first step in the process should be an agreement, perhaps by law, of a total spending level and although I am strongly opposed philosophically and otherwise to unrestrained impoundment, there might be an agreement reached that if this voluntarily imposed maximum spending limit is exceeded by the Congress, then the President within very carefully prescribed procedures could cut the excessive spending, with perhaps a 10-percent limit on the reductions in any particular program.

The meat-ax approach, which has been adopted this year, is an open admission—by the President and the Administration—of an inability to determine which parts of programs are effective and which are not.

I believe any other so-called impoundment of funds should be eliminated except as specifically authorized in advance by Congress in the appropriate legislation.

A State lawsuit against the Federal Government, perhaps with the consent of Congress, should be initiated immediately to let the Supreme Court, which would have original jurisdiction, decide without delay whether or not the President has the right to impound ap-

[1] See p. 428.

propriated funds in direct contravention of the expressed will of Congress. The State of Georgia is considering such a lawsuit.

As you know, there is a suit filed by the State of Missouri. which has been in existence now for more than 2 years. and I believe that most of the chairmen of the U.S. Senate committees have joined as parties in that suit. The first ruling was in favor of the State of Missouri against impoundment of highway funds but the suit is still within the borders of Missouri and no one knows when the final determination will be made.

I believe that commitments to State and local governments by the Federal government on specific programs should never be abruptly terminated, except in a national emergency and then only after discussion or at least information has been provided for Governors and local officials.

I believe tax reform is needed to ensure fariness and perhaps even a balanced budget. Since 1968, an already existing imbalance has been aggravated by subtracting about $20 billion from corporate and personal income tax and by adding about $25 billion to the payroll tax, primarily on the first $12,800 of earned income for social security payments.

Since revenue sharing has resulted in a shift of financing burdens from the Federal government to those within the States, tax inequities have been increased. In general, the overall effect of this is a shift in taxation from the progressive income tax to the more regressive sales tax and property tax, on which State and local governments must depend.

Another great need, Mr. Chairman, is to remove the shroud of secrecy from around the Government leaders in Washington. There should be reestablished some means by which Governors and other officials might communicate easily with those in the Federal executive branch who actually make decisions. This opportunity has been almost completely eliminated. In some instances, it seems that Cabinet officers, when you can reach them, have now become mere figureheads and no longer have decision-making authority.

Another handicap to State-Federal harmony, is that there is no definition of national goals, which even if unilaterally expressed by the Administration as to goals towards which the Nation is moving or ought to be moving would ensure some compatibility of effort and some increased cooperation between the Congress, the President and State and local governments.

In spite of the lip service being paid to the new federalism, local and State influence is being greatly reduced because major decisions are now being made without consultation and sometimes even in secret. What flexible local funds exist, must now be used with the inadequate revenue sharing funds simply to replace formerly existing categorical grant programs, which are so important to the poor and afflicted people of our society.

In the entire process, Mr. Chairman, the poor and the afflicted are the losers because the tax load is being shifted towards them and the categorical grants on which they have depended and which in the past filled gaps in state and local programs are now being eliminated.

We all recall the specific promises made prior to the enactment of general revenue sharing that it would be "new funds without requir-

ing transfers from existing federal programs." I quote Mr. Nixon specifically in his statement to Congress in February of 1971.

We remember also promises made by top executive department leaders and I quote also: "The money will be in addition to existing programs. Each State"—and I might say State, city and county—"will receive revenue sharing money in addition to any benefits, services, or money it is now obtaining from the Federal Government."

This statement was made by Secretary Connally who was head of the Treasury Department in June of 1971, and was made in testimony before the Ways and Means Committee.

These promises have been broken and now top Administrative officials as recently as on "Meet the Press" this past Sunday are denying that the promises were ever made.

Well, mechanisms for encouraging interstate cooperation, regional planning and innovative Government action are being abolished. For instance, there is no money in the President's proposed budget to continue the operation of the recently established and very important Title V Commissions.

As recently as late last year, Governor Holton from Virginia and I and the Governors of North Carolina, South Carolina and Florida, were working with Administration officials, Mr. Chairman, to encompass the five states in the Coastal Plains Regional Commission and Governor Holton, himself, was trying to assure entry of Virginia into this program as late as last fall.

Now the President has preemptorially abolished these Commissions by eliminating them from the budget. Well, in all, I am quite concerned about the breakdown in intergovernmental cooperation and the commensurate weakening of the whole system of federalism. But the essence of the entire problem, in my opinion, is governmental secrecy which results in abrupt and unilateral decisions at the Federal level.

State and local officials are jerked and snapped to and fro in a gigantic game of crack-the-whip. What has developed as a serious enough problem in Washington has often caused chaos in state and local planning and budgeting.

I hope that this committee and the Congress will do what it can to afford Mayors, Governors and other concerned citizens a chance to speak for our people on future proposals such as special revenue sharing. Perhaps what is needed in this particular instance is a special committee authorized by Congress and made of officials from all branches and levels of Government, as well as from private groups, to study the categorical grant system and make recommendations to the Congress on what programs, if any, could profitably be collapsed into special revenue-sharing proposals.

We want to be partners again in a responsive and responsible system of Government and we hope that you and the Congress can help us.

Senator MUSKIE. Thank you, Governor Carter, very much, and your full prepared statement will be included in the record.

[See prepared statement of Governor Carter, p. 181.]

Governor CURTIS. The next Governor to testify is the Honorable Daniel Evans, senior Governor, State of Washington.

STATEMENT OF GOVERNOR EVANS

Governor Evans. I am the only Governor from the State of Washington.

Mr. Chairman, it is a pleasure to come before you and share in testimony on what I consider to be one of the most important debates we are now impacted on in this Nation. This is a debate as important as the changes in our Federal Government which occurred in the early 1930's with the advent of the New Deal.

I am filing a written statement with the committee. I have filed it and will speak just for a few moments on some of the highlights.

Senator Muskie. It will be accepted and placed in the record.

[See prepared statement of Governor Evans, p. 182.]

Governor Evans. Just a few days ago I had an opportunity to watch David Brinkley's Journal. He was commenting on this present debate almost in a wondering tone, when he said that he thought in the question between Congress and the Executive on the impoundment of funds the President was certainly going to win the budget debate and he was going to win the budget debate, said Mr. Brinkley, because apparently he had the majority of the American citizens behind him and, after all, that was the way the American political system ought to work. That was said in almost a wondering tone, but I thoroughly agree with him. I think that is the way the American political system ought to work and I think he does have the vast majority of the people behind him.

In our State we have faced perhaps the most difficult economic circumstances of any State in the Nation during the last several years. Budget difficulties have been enormous and I had to deal with an average State rate of unemployment of over 12½ percent which now fortunately is down very substantially. We are on our way back in terms of our economy, but I also had to deal with the problems of budgeting through that period and engaged in exactly the same impoundment of funds appropriated by our legislature that the President is now doing.

I am sure every Governor has, or before he is in office very long, will have to engage in that same sort of activity.

I had to reduce by over $50 million spending in our State in order to maintain a balanced budget at a time when the State revenues were declining and at a time when our people demanded more of our State and its government than ever before. But we made it through. We maintained a balanced budget. We did receive substantial help, I might add, from both the administration and the Congress and I certainly wouldn't deny that.

We have analyzed very carefully the Presidential budget for fiscal 1974. We have prepared our biennial budget for our State for the fiscal years 1973–75 with the expectation and our best guess as to Federal spending. We now find from the President's proposed budget that we expect to receive some $60 million less than we had once anticipated. However—and I think this is almost totally overlooked—that will still be $50 million more than we are receiving this biennium. So it is not a question of cutbacks from existing levels; it is simply a question of some cuts from what we otherwise might have expected.

We will be able to absorb that $60 million worth of cutbacks. We

will be able to shift some of our priorities and in some cases we will delay activities in the highway field and in outdoor recreation. But I can guarantee that no retarded children in our State will be out on the streets. We will be able to handle the high priority needs of our State and we have sufficient flexibility to do that.

I think we are overlooking in the intensity of the argument over today's problem, the longer range debate of which I speak. The Federal budget as it is now operated by Congress, makes it almost impossible for a State to adequately budget and predict what is going to happen in its own circumstance.

We receive a little over $1 billion in Federal revenue out of $5 billion budget: 20 percent of our revenues come from the Federal Government, but we are never sure until the fiscal year is virtually over as to exactly what those levels will be because Congress does not adopt a budget until that fiscal year is more than half over, at least most pieces of it, and there is no single budget, as Governor Holton has mentioned.

I think those are the two most important mechanical things that Congress could do and, that is, to insist on a total approach to a budget, to consciously vote as Members of the Senate and House of Representatives on a total level of spending and, secondly, to adopt a budget insofar as possible prior to the beginning of a fiscal year so that those of us at the State and local levels have some opportunity to plan.

We do that in every single State of which I am aware. We balance the budget, vote on a total budget and have the budget prepared before our fiscal biennium starts.

In this debate I think we almost totally overlook the fundamental concept of special revenue sharing, which does not require any additional money from Congress. It simply requires a willingness of Congress to give up some of its categorical powers and the direction of the over 1,000 special categorical programs which now affect State and local government and to instead have a considerably higher degree of faith and trust in those who serve at local and State levels. We share at our State level with local governments. In our State it is more than 20 percent of our total budget. It is a traditional form of revenue sharing and I think we are typical of other States. In that budget we do not ask for extensive reporting, we do not ask that local governments respond in a narrow sense. We have considerable faith and trust in their abilities and, as a result, there are a minimum of requirements on this sharing. In fact, a good sharing of that money has absolutely no requirements even insofar as reporting is concerned.

If we were to apply the traditional Federal Government's attitude and response over those shared funds with local units of government in our State, we would have a major revolution on our hands, by those units of local government and I think understandably so. I believe that local and State government today is more responsive than perhaps it was a generation ago to the needs of people in our own communities. We have expanded the electorate by lowering the voting age and we have redistricted all of our State legisatures so they are more responsive to the people who live in our States. There is a significant increase in the element of minority participation in community affairs.

Communication has made it possible, much more possible, for people to be aware of what is going on and to take part in the political processes at the State and local levels.

I suggest that probably today the State houses and the county courthouses and the city halls, for the most part, are more aware and consistently more aware of the problems of their people than Congress can be.

I left, Olympia, Wash., just a few days ago from a legislative building teeming with citizens who had come there and who come every day, not as representatives of organized pressure groups but as individual citizens concerned about the future of their State and their community. I believe that is a place that a majority, an increasing majority, of domestic decisions ought to be made and, therefore, I believe the President's concept of special revenue sharing is not only highly desirable but essential if we are to retain any kind of true federalism.

I believe that our argument today is perhaps over the transition period, which may well be difficult. There are some elements that may require some congressional attention but the transition is only temporary. The important thing is to aim at a longer range direction which I believe calls for considerably greater flexibility through special revenue sharing and willingness of Congress to readjust its own budget system so that it can respond early and in a total sense to the spending problems of our Nation.

I believe now is the time to start and I—speaking only as one Governor—can tell you that I am ready and eager to assume these responsibilities. I believe we are capable of assuming them and I believe the President is absolutely on the right track in attempting to do two things: To bring the Federal budget into line and into a timely response to each fiscal year and in giving greater flexibility to State and local governments through special revenue sharing and through the reorganization of the Federal executive branch so that we can perform part as partners in this federal system.

Senator MUSKIE. Governor Curtis?

STATEMENT OF GOVERNOR CURTIS

Governor CURTIS. Mr. Chairman and members of the subcommittee, I guess the last Governor to testify today is me, and I will attempt to be very brief.

I, first, however, would like to associate myself with the remarks Governor Carter of Georgia. I wish that my testimony was as well put as his is. I would like to attempt to put into perspective, perhaps on a little bit of parochial basis, some of the problems that we face in my State in the hopes that this can be helpful to the subcommittee.

It is true that barely a month has passed since the President revealed his Federal budget proposals for fiscal year 1974 and his plans to reduce the fiscal year 1973 budget by withholding funds already appropriated.

I think you can appreciate it is a little bit difficult to get our handle at the State and local level exactly as to what is happening.

While the total picture of budget cuts, program transfers, program terminations and impounded funds is causing great confusion at the State municipal level, I think the intent behind these actions

is becoming quite clear. But I want to say at the outset that if the President's intent is to insist on the elimination of truly wasteful and unnecessary spending, I stand ready to support and assist him in his effort.

If his intention is to find new and more efficient ways to deliver vital services to the people of this country, I enthusiastically support that effort, too.

But if the intent is simply to abolish a wide range of programs that in Maine at least have proven successful in meeting the needs of the poor, the elderly, the sick, and the disadvantaged, and in providing jobs, housing, and education for those who won't find them without Government help then I want to register the strongest possible protest.

Assuming for a moment the intent is to continue the current Federal commitment to these pressing needs, but in a new direction with greater dependence upon leadership at the State and municipal level, let me make the following points: First, consideration must be given to the needs for States and municipalities to plan and enact their budgets. As you know, Senator, in Maine we only do this on a biennial basis.

Second, and most important, is the source of funds to finance the State budget.

In the current biennium, Maine's general fund budget is $422.5 million with an anticipated $265 million in Federal funds, for a total general revenue program of $687.5 million.

The highway budget includes $133.6 million of State money with $61.8 million anticipated in Federal funds.

In total, in fiscal year 1972 and 1973, the State of Maine budgeted an anticipated $331.2 million of Federal programs, in addition to $653.1 million of State funds.

So, rightfully or wrongfully, it is easy to see how dependent the States have become on Federal assistance.

So, it is hard, indeed, to see how a transition to new methods of delivering the same level of services involving billions of dollars and millions of Americans can be managed between now and the cutoff dates that have been identified.

Therefore, the suspicion grows that the main thrust of recent administrative actions is one of cutting, rather than redirecting.

But, at any rate, you have kindly invited me to give information on specifically how this new federalism would affect Maine. Because the structure of Federal aid at the State level is so complex, it is always difficult to convert a Federal budget into State- and local-level facts.

So, immediately after the budget message was released, I alerted State agencies to the urgent need to develop usable information and launched a cabinet-level effort to evaluate the President's cuts as to each Federal program in Maine. I would like to give the subcommittee a preliminary summary of the results of this effort.

I believe it has been distributed——

Senator MUSKIE. Yes; it will be included in the record.

[See State of Maine analysis on the "Impact of Federal Impoundments, Proposed Budget Reductions, and Terminations—Preliminary Survey, February 1973," p. 432.]

Impoundments and fiscal year 1974 budget cuts by the President will directly strike over 80 Federal programs in Maine and will indi-

rectly affect many others: The total loss in Federal dollar aid will approach $110 million counting impoundment of $58 million in water quality funds, but not counting the total value of public facility and housing construction estimated in Maine at over $118 million; or multiplier effects on Maine's economy; or losses for years after fiscal year 1974.

If we allow for these additional factors, the $110 million figure I have used becomes only a small fraction of the full loss to Maine. For example, last year $50 million in new housing construction, about 50 percent of total new housing starts, was under Federal housing programs, yet the actual amount of Federal subsidy was less than $4 million. In the Farmers Home Administration program alone, in fiscal year 1972 about $2.5 million in interest subsidy supported $25 million in housing loans for low-income families.

As you know, our State is predominantly one of many small communities where Federal housing programs are the only basic means for purchasing a home.

Now, if Maine were a prosperous State, or even if the impact of this new federalism were to be spread evenly across our population, I could be less concerned. But Maine is a State which can hardly afford to lose revenues of any kind. Over my term of office as Governor, we have suffered chronic unemployment, currently running at 6.4 percent, continuing rural proverty, and a per capita income substantially below both the national and New England averages.

As in many other States and localities with economic problems, Federal aid has come to play an increasingly important part in providing essential public services in Maine. Total annual Federal outlays in Maine now approach $800 million, of which almost $200 million flows to State and local governments where it is mixed in with other State revenues. So, Federal aid not only supplies a vital percentage of the cost of public services, but it also has become an inseparable part of many of these services. This means that when Federal support is cut, the whole structure of State and local government is disrupted, and many more services and people are hurt than just those involved with the specific Federal programs.

Maine has a population of 1 million, and the minimum of $110 million we stand to lose over the next 18 months, translates mathematically into $110 for each Maine resident, or $275 for each Maine worker.

But, that is not a true picture of the way the President's economies will be felt because they are not directed evenly at the entire population. They are directed mainly at our poor, our elderly, our sick, our unemployed, our public schools and State university and our farmers. The $50 million in lost aid over and above water quality impoundments falls almost entirely in the areas of health, housing, educational, and labor services to low and moderate income people as follows:

	Millions of dollars
Health services	$12.0
Housing subsidies	8.5
Public education	5.6
Labor programs	3.0
Other social services	10.0
Total	40.1

Dollar figures cannot adequately convey the loss in human terms. These program cuts could eliminate over 2,000 Maine jobs, but even more important is that additional thousands of Maine people, earning low and moderate incomes, will have diminished access to health care, decent housing, good education, job training, day care and other services.

So obviously, it is plain nonsense to suggest that losses on this order can be made up out of Maine's new federalism general revenue sharing allotment of $31 million per year which we understand, as Governor Carter has stated, was to be helpful in holding the line on spiraling property taxes or out of our $250 million State budget without major new taxes, especially when some 65 cents of every tax dollar collected in Maine goes to the Federal Government already.

Now we heard him say that the people want these cuts. I don't know if that is true. The people have never had a chance to answer that question. In Maine, we enacted 4 years ago a State income tax for the primary purpose of financing services. Political polls, at that time, showed that only 22 percent of the people wanted that tax, yet we enacted it. One year after we had that tax in existence, as you know, it was taken to referendum and the people in Maine voted 3 to 1 to keep that tax in order to preserve the services.

So, Mr. Chairman, I think it would be much more proper to have the Congress of the United States making the decisions as to whether people want taxes and services rather than leaving it strictly in the executive branch, as it is now.

I will submit the remainder of my statement for the record.

Senator MUSKIE. Thank you very much, Governor Curtis. Your statement will be accepted and placed in full in the record.

[See prepared statement of Governor Curtis, p. 182.]

Senator MUSKIE. I would like to make two or three observations and then yield to my colleagues for questions, reserving my own questions for last because they have been waiting and they have been very patient.

First of all, let me point out that what we are involved with in here is more than a political game, much as we may enjoy the sparks of partisanship. There are those who may say that the end justifies the means, but let me suggest that this administration's use of the impoundment goes beyond precedent and, if established, such a precedent that may look comfortable to some now but may represent an expansion of executive power which we may come to regret.

Second, the unilateral executive dismantling of programs, far short of the authorized period for their continuance deprives the country—the country and not the Congress—the country of an opportunity for that kind of deliberate measured examination of these programs and services to which Governor Curtis has just finished referring.

The people are capable of making intelligent decisions. They did in Maine with respect to the State income tax and they are capable here if given the chance, but when you have, in January, the dismantling of a program that was continued for 2 years last September, then nobody has a chance except the President to make his inquiry. The people don't, the Congress doesn't, the State governments don't, local governments don't. So that is a principle we must consider.

Now, it is easy to say that the people aren't interested in these esoteric principles of impoundments and unilateral dismantling of programs. Whether or not they are, we must be. Sure, I was a Governor and I impounded funds but not in the selected way that this administration does. When the 1958 recession struck. I called for restraint across the board, asking every department and every program to carry its burden of reducing revenues. I didn't select here, there will be an impoundment of funds, and here, there will not be.

You have here 27 percent of the funds of the transportation agency impounded and 2 percent of Defense funds and 18 percent of HUD funds. I mean, that is selective impoundment and Mr. Nathan last week conceded that what the administration is using is the item veto. If we are to adopt an item veto at the Federal level, it ought to be by the processes established by the Constitution and it ought to be in the way that gives the Congress a chance to override, as it does with the regular veto. And so, these are important principles and it may or may not be easy for any of us to dismiss them.

I said they are important and this Congress says they are important but the second question before us, you know, is what will be the impact on services for those who need and are entitled to Government attention because of these techniques, these cuts, and the responsibility to provide these in terms of State and local governments.

Finally, what is the impact upon State and local governments? Now, I served at all three levels of government: the local level in the executive branch, the State level in the legislative and executive branch; and at the Federal level, in the legislative and executive branch and I have real respect for the potential of each of these three levels of government to contribute to this federal system.

I am also aware of the weaknesses at each of the three levels. They all have bureaucracies. That is not just a phenomenon that you will find in Washington. They all have bureaucracies just as contemptuous of elected officials at each of the three levels as in Washington. They go on forever and Governors come and go and Senators come and go, we all come and go but these bureaucracies go on forever. Bureaucracies are a problem in the American Government in all three levels and you, gentlemen, know that as well as I do.

Red tape is a problem at all three levels and legislative inefficiency is a problem at all three levels. Executive inefficiency is a problem at all three levels. We deal with these shortcomings of the Federal system only if we apply ourselves to it constantly, but the net result of this inefficient system—as described by Winston Churchill:

"It is the worst form of government on earth until you consider the alternatives."

These inefficiencies are a safeguard of liberty but when you have an Executive who faults this inefficiency by executive fiat, then you move into the direction of jeopardizing liberty.

This notion that somehow the Federal Government has grown and state and local government has shrunk in recent years, I think needs to be touched on in these hearings, and I have some figures that I am going to read into the record and that you may be interested in.

In the first place, Governor Curtis has given you the story on the State budget in Maine, you know, the general fund budget. Governor

Curtis, in the 2 years before I took office as Governor in 1955, that general budget was $62 million. Your new general fund budget to the legislature this year for the next biennium is well over $500 million. That is an increase of 8½ times. That is far beyond the increase in the Federal budget over the same period. Does that suggest that State government in Maine has been neglecting its responsibilities or that its responsibilities have been snatched out of its hands?

Let me give you more general figures. Let's look at Government employment. In 1950, Federal civilian employment, nonmilitary, was 2,117,000. In 1970 it was 2,716,000.

State and local employment in 1950 was 2½ million and in 1970 it is now 10,147,000.

Federal tax as a percent of GNP in 1946 was 16 percent and in 1971 was 13.6 percent.

State and local taxes, as a percentage of GNP in 1946, were 5 percent and in 1972 over 10 percent.

Federal expenditures as a percent of GNP, in 1953 were 21 percent and in 1963 were 20 percent. In 1973, it was 21 percent. State and local expenditures as a percent of GNP in 1953 were 7½ percent but in 1973 15 percent.

State and local debts in 1960, were $70 billion but in 1970 were $143 billion. That is over double.

Federal debt in 1960 was $280 billion and in 1970 was $356 billion.

Projected State and local debt by 1980 is $310 billion.

Now, that is the picture with which I have been very familiar because I lived close to State and local governments for 25 years. It has been a picture of rising problems and shrinking resources, neglected social problems. Only within the last 10 years has there been any real effort on the part of the Federal Government to offset those shortcomings of State and local government. I offer this not as a criticism of State and local government but as a recognition of their inadequate resources.

So the Federal Government began to supplement State and local resources and to meet problems they had been unable to meet on their own by enacting social programs. It has been an evolutionary process that at this point in time requires review, remodification, reshaping. The categorical aid programs which arose in response to specific needs have to be rationalized but there is a difference between rationalized change and abrupt and arbitrary cutoff.

This notion that all of these programs have failed is not supported by the testimony we are getting from you, Governors, from the mayors, from the people. Why can't we indulge in a process that salvages what is good and, at the same time, that discards what is bad? Why do we have to cut the whole thing off and start from scratch?

Special revenue sharing doesn't come into effect under the President's terms until 1975, but these programs are being cut now. What happens to the evolutionary process in this period? Now, these aren't partisan questions, even if they are put by a man who can be partisan.

These are real questions and if we provide the wrong answers to them, you and I and our successors in office will reap the whirlwind, just as we reaped the whirlwind these past tragic years because of the shortcomings of our system from the previous quarter of a century.

So we need good answers. By instinct, coming from my State, I believe in an evolutionary process. I believe in a rational process. I believe in this system of checks and balances and communication and shared responsibilities. The initial challenge of those people who wrote the Constitution was to try to find a way to reconcile an age-old dilemma between preventing Government authority from destroying liberty while at the same time doing its job effectively.

The old dilemma between effective authority and freedom is one that America has managed for two centuries. I think we can continue to do so by continuing to use the instruments and the institutions that we created for making those decisions and those policies and I believe that so deeply that that is why I am involved here.

Oh, I can enjoy a little partisan fun once in awhile. I don't know what else keeps you in this game if you can't get involved in that, but underlying all of that, I firmly believe that there are serious questions and I apologize for making another speech myself instead of putting questions to you, but I would now yield to my colleagues for questions. Since I have taken some time on our side, I yield to Senator Gurney of Florida for questions.

Senator GURNEY. Well, thank you, Mr. Chairman.

I also will preface my questions by a statement or two. I am sorry I wasn't here to listen to all of the discussions today. I can just echo the words of Governor Holton in saying that impoundment is nothing new. Every President since Thomas Jefferson has done it and other Presidents have done it more than once. I don't really see what other choice the President has had. He tried to get the Congress to go along with him last year and the year before in cutting back on some of these bills. He pleaded with us. We paid no attention to him at all. After pleading with us, he vetoed some 19 bills in the 2 years of the last Congress. Most of the vetoes, that is 16, were made last year. Again, we paid no attention to him. We passed bills over his veto.

So, having tried to send us the message twice, I think he took the only alternative we left him, and that was to try and exercise some economy himself by these impoundments. I think he was absolutely right in seeking to reduce spending. We may differ in some respects on exactly what ought to be impounded because all of us have different views on that, but on the general subject of trying to get the budget in balance, I think the President is right.

I must say that in listening to some of the testimony here I thought that for a minute that Richard Nixon was Mr. Scrooge out of Dickens' Christmas Story. Yet I am reminded that despite his cuts, the budget is still out of whack some $12 billion or $13 billion. It was out of whack about $25 billion before he made some of these impoundments and cuts.

I think some Members of Congress wished he had impounded even more, so that we could get this budget more in balance, as some of the Governors have gotten their budgets in balance. I don't know of any other way to run a responsible government than to try to keep within your income, especially in prosperous times. This past year has been one of the most prosperous years the United States has ever had. This year is also, and yet we are still spending at a rate that exceeds almost all of the budget deficits that we have spent in previous years.

I would like to talk about the question of whether the Federal Government is doing enough or not doing enough in spending money to help out not only in our own problems, but State problems——

Senator MUSKIE. Senator, would you yield just a moment? I got a signal that some of the Governors may be pressed for time and I wonder if we could get information on that.

Senator GURNEY. All right.

Senator MUSKIE. Do you have to leave?

Governor CARTER. We have a luncheon meeting at 12 o'clock and an executive committee meeting right after that.

Senator GURNEY. I am not going to take much longer.

Senator MUSKIE. Well, if any of you feel pressed for time, you can feel free to leave. I am sure none of us will be hurt by your doing that and I would then yield to Senator Gurney again.

Senator GURNEY. I would like to point out that about 10 years ago we had a Federal budget of $106 billion. Two years prior to that, in 1960, we had one budget of $92 billion. This year we are spending in the neighborhood of $233 billion. That doesn't sound very niggardly to me. What it sounds like, and the fact is that Congress has enacted too many programs over the last 10 years and now it has caught up with us. We can't afford to pay the bill and we are running out of money.

So the President is trying to establish some fiscal, not only responsibility, but fiscal sanity and I agree with some of the remarks made by one or two of the Governors that the people are 100 percent behind him.

I have spoken all over Florida since this argument of impoundment of funds and cutbacks on Federal spending has come up and I haven't found a single audience—be it North, South, East or West—where, when you mention this business of the President's trying to get some fiscal responsibility in this government through these impoundments, you don't get a good big hand out of these people. Some are rich, some are poor, some are farmers and some are city folks. But they all want to see us do our job too.

I hope we can enter a partnership here because I agree with you, Senator Muskie. It is a partnership of the President and the Congress and I think we have to get on with this job of getting this budget in balance. I would like to pose this question—and I see two of my most likely candidates to whom I would pose it leaving, Governor Carter and Governor Bumpers—but I would address my remarks to Governor Carter first and then to Governor Ford because I think I would like to talk to him, too.

Governor FORD. I think I have to go to the same meeting, too, Senator.

Senator GURNEY. I did hear some observations here that, yes, we ought to have a balanced budget. I would ask you Governors who are here, how are we going to get one unless we cut back our spending?

Governor CURTIS. I would like to say I don't think the Governors particularly oppose the concept of the Federal Government trying to reach a balanced budget. We try to do that ourselves. We would like to cooperate as much as we can where given the opportunity.

For instance, at the present time in my State we have a legislature

in session. We would be willing—at least I would as one Governor—to make a run of trying to pick up some of the programs that are dropped, but it is becoming very, very difficult to find out what is actually happening and to know what we can pick up, what the rules are, what we can't pick up. For instance, in the 4A and title XVI programs, Maine is one of the States that doesn't have the resources at the governmental level but uses private resources for funding. So the private sources are willing to try and raise more money themselves at the local level to help the old people and the young people, but we received in the Federal Register an announced notice that no longer can you match federal money with private contributions. Yet, the Federal allocation is there for the State.

The only thing I can say is maybe we have to be as devious as we are being treated and find some way to make private contributions through the Government source to keep the programs going. We shouldn't be put into that position, though. We ought to be made a partner also so we can have an opportunity to come here and point out to the Executive what our programs are and see what we can pick up. But that is difficult to do.

Senator GURNEY. Let me ask you this. Where do you think cutbacks should be made?

Governor CURTIS. I agree with Senator Muskie that they ought to be made more evenly. I read in the paper that Litton Industries—who had a destroyer contract that we think should have been given to Maine—got $100 million or so. We could have used that for housing in our State.

Senator GURNEY. Do you have any suggestions other than the destroyer contract going to Maine?

I don't think this is actually going to save a lot of money as far as the Federal Government is concerned.

Governor CURTIS. Well, if we built the housing we could produce more tax revenue.

Senator GURNEY. In Florida, we are a little miffed because the Trident submarine went to the State of Washington, but we will live.

Do you have any other suggestions on how we are going to get this $25 billion down and get back on the road to fiscal responsibiilty?

Governor CURTIS. I can't miss one passing shot at Litton. If they built the destroyer we would have been more understanding, but they haven't gotten it going yet.

No, I think that there are areas in housing, that there are areas in social welfare where the Federal Government wants the State to make a bigger contribution on the matching basis that we would be willing to try but when the whole amount is ripped out without giving us time to enter into our budget process then we don't have that opportunity. It is either take it or leave it.

Senator GURNEY. I gather that you support the President in trying to get the budget in balance. You are arguing about the cuts he has made with which you don't agree, is that it?

Governor CURTIS. I would feel a lot better if the cuts had been made as a result of congressional action, as a result of consultations with the States at a local level and perhaps if more time had been given so that we would have more time to prepare ourselves.

Senator GURNEY. You would have been happier in other words if we, the Congress, rather than President Nixon, had cut out the $12 billion or $13 billion?

Governor CURTIS. That is correct. I would feel it is the will of a much wider base.

Senator GURNEY. I wish we would have done that, too, but unfortunately we are not that responsible——

Senator MUSKIE. I don't agree with that. I am not going to interrupt beyond that, but I challenge that statement. You may not feel responsible but I do.

Senator GURNEY. Well, I might say with regards to that, I think I voted "no" many more times than you have, Mr. Chairman.

Senator MUSKIE. And no can be a very irresponsible vote.

Senator GURNEY. It also can be very fiscally responsible.

Senator MUSKIE. You and I can debate that separately. I don't accept that. You can apply it to yourself but you can't apply it to me.

Senator GURNEY. Do you have any other suggestions as to how we can get our budget into balance?

Governor CURTIS. Well, again, I haven't had the privilege of serving in Congress, but I know in my own State I have served with a Republican legislature for over 6 years and I have been very forcefully told each time that it is the legislature acting on behalf of the people that finally establishes what the levels of spending are going to be and I am not too happy with that but I can tell you they are a little more rambunctious up there than in Washington. If I started to try to circumvent what my legislature did, I think they would relieve me of my office very rapidly. I don't advocate that in Washington or in Maine.

Senator GURNEY. One final question: If the budget is very badly out of balance, of course, there is one way to get it in balance and that is to enact more taxes. Would you suggest we enacted more Federal income taxes from the people of the United States, including Maine?

Governor CURTIS. I would be very happy to pay additional income tax on my meager salary to help people who need houses, who need health care services, who need services for the elderly, day care services, services for the poor.

I would also be just as happy to see some of the tax loop-holes closed, to see the depletion allowance for the oil industry reduced and a few things like that to help the poor, but if it comes to my paying more taxes, yes.

Senator GURNEY. That is all.

Governor FORD. May I address one item to you if I may? I think the deficits being transferred to the States and to the people who are least able to pay is an important point. If my calculations and information is correct, the President's program calls for the deduction for hospital services to be changed from the present $72 figure to a deduction change which would require the beneficiary to pay the first-day room and board charges plus 10 percent of the actual hospital charges. That is referring to medicare and medicaid.

Another change proposed would change the deduction of some $60 and 20 percent of remaining costs and would increase that to $85

and 25 percent of all remaining charges. The change will reduce the financial burden to 1 percent according to the President. But, it just seems to be a very regressive type thing.

There is an underlying problem here. I think all of us agree, regardless of party, that there is a credibility gap between the people and those who are governing and that that credibility gap is widening. We are saying one thing while we are complaining or making speeches, but our actions don't match up to our programs. For instance, the EPA gave to Kentucky a mandate on its streams to bring them up to par for all uses for 1983. The law says that the Federal Government will pay 75 percent of that so we geared up and are ready to go—because Kentucky has more navigable streams than any other State in the Nation outside of Arkansas—so then last year we got $75 million. Now, we are impounded and we only have $33 million.

We are in this dilemma now and it has hurt.

We talk about law and order and we hear much about that from here. We have an innovative program where we work with the Federal program to pay the local policemen, that is, the foundation, and we require him to have 230 hours of training before he puts on a badge. This was impounded and taken away from us. We can't do that now.

Our land use program, in the President's message, on February 2, well, that message was beautiful, I liked it. It says the States had an opportunity to be involved. but his people came into the hearing and preceded me at the testimony saying that the Department ought to have all the responsibility for regulations, they ought to have all of the provisions for sanctions, they ought to do all of these things.

Now, they talk about the secrecy here. We want to be a part of what goes on and appreciate the opportunity of being here, Senator, more than we can tell you. but we want this credibility gap improved and not diluted and what you are doing now is diluting it. What you have built up over 40 years you are expecting us to assume in 4 months, and we are not in a position to do that.

There has to be an orderly fashion, an orderly transition. There has to be some way that we can cope with it—a way that gives us the ability to have the resources to cope with these problems.

Look at medicare and medicaid. I believe 13 to 15 percent of the cost is administrative costs. Why don't you look at this instead of putting the burden on those least able to pay? Why don't you get at the real cause of these problems? This is where I think you are making your mistake. You can impound funds from now until doomsday but it is the people you are interested in. A balanced budget is wonderful, and I want to help you get there; but I think we ought to take the proper steps and not hurt those whom you are trying to help.

Senator GURNEY. I would agree with you on many of those points.

With regard to hospital costs, the Congress spent weeks of hearings last year looking into exactly that. The Antitrust Subcommittee of the Committee on the Judiciary as well as the Finance Committee looked into it. As a matter of fact, they tackled the job of trying to cut down on these costs and plug a lot of those loopholes in medicare. We did exactly that.

Again, let's go back to the subject of waterways. Senator Muskie knows well this bill because it was his bill—and a very good one.

This was a situation where the President didn't disagree with the principle of the bill but thought Congress was spending too much. He vetoed it last year and we passed it over his veto. I agree with you that it puts us in a hole——

Governor CURTIS. But the standards are still there for us to reach.

Senator GURNEY. The President did try to cut down on the amount of moneys in the bill feeling that they were too much for our budget at that particular time.

As far as communications between the State and local governments and Congress and the National Government are concerned, I couldn't agree with you more and I certainly agree with these hearings. I think the chairman of this subcommittee is performing a fine service in bringing you here. All I was trying to do was to bring out the point that there are two sides to this story. When you have a Federal budget so out of whack as we have today—in prosperous times—somebody has to do something about it and the President tries to do it.

Governor FORD. Well, I agree with what you are saying but it is like hitting the school kids in Kentucky between the eyes with a 2 by 4 when you reduce the educational program we have there to a point where a lot of them will not receive their education. Now we are ready to assume this responsibility, Senator, but the transitional period I think is something we all agree across the board, should be made even; make it even. Let us know what is coming so we can accommodate these things.

Senator GURNEY. I want to say with regard to educational spending, that I have talked to a lot of teachers and school superintendents who tell me they have altogether too much fat in this program. They say that one of the reasons why, is because we throw Federal dollars at them and so they just spend it. What we need to do is get our houses in order at all levels of government and, particularly, the Federal level of government which is so out of whack fiscally.

Governor FORD. Senator, I have 22 percent of my students in Kentucky at the higher educational level with family incomes under $9,000 and 43 percent with family incomes under $6,000. If they didn't have some money and some help—and we try to do this locally and at the State level but also with the Federal programs—if we didn't have this money, these young people would not be able to go to school. I think education is one of the main thrusts in this country. This is what we pride ourselves on.

Senator MUSKIE. Senator Chiles?

Senator CHILES. Mr. Chairman, I think it has been unfair to characterize in this hearing that President Nixon is somewhat like Mr. Scrooge because Mr. Scrooge met the Spirit of Christmas and had a change of heart.

I am sure you gentlemen know there was legislation to cap spending last year at $250 billion. That legislation passed the Senate with an amendment that would have required for any programs or any spending that had gone above that amount, where cuts had to be made, no more than 10 percent could be made off of any particular program. The administration didn't like that amendment and went to the House side and defeated that amendment and, ultimately, no spending ceiling was passed even though both sides of the Congress wished one.

So the Senate was willing to cap spending and to put on a ceiling but simply wanted to say that they would not give the stroke of a pen—the authority by the stroke of a pen to destroy any particular program but that there would be a limitation of the cuts of $250 million.

Now the other statement I want to make is that I happen to share the feeling of the President in regard to giving more authority back to State and local governments. I am a product of State and local government, having spent 12 years in the State Legislature of Florida.

I strongly feel that we are not going to be able to solve the dilemma that we are in until we can reasses what the jurisdiction and what the authorities are of local government and the State government. I don't think you can do that with mirrors. I don't think that you can say that you are going to do that and then not provide any funds and not provide for the transition of how that is going to be done. I don't think you can project that into 1975 with your spending figures but cut off everything and say "get ready for it now."

I don't see how State and local governments can take that up. So, I have to doubt some of the credibility of that or, if this isn't a fact, that is done with mirrors unless we provide some way for that transition. Now I think that is one thing Congress is interested in doing. I hope we are interested.

I know the Congress passed legislation putting a cap on social services at $2.5 billion. The regulations are now being worked on by the Department of HEW and our regulations, I understand, that are going to make it virtually impossible for the States to even get up to this kind of funds. Have you all had any notice or any input or any opportunity to make any input into the new regulations? Specifically, as I understand now because of the way this program was designed to try to keep people off of welfare. You have a provision that if you could identify an individual who within the next 5 years would be a welfare recipient, then you could qualify them for these programs. Now my understanding is that the transition is now talking about reducing that to 6 months.

I want to find out what that would do to your programs and whether you had a chance to make any inputs as to these regulations?

Governor FORD. Just in a nutshell, we lost $15 million, just in our State.

Senator CHILES. Is that by virtue of the cap or by virtue of the new regulations?

Governor FORD. By virtue of the cap.

Senator CHILES. That is the cap but what I am saying is, in addition to the cap, are you getting ready to lose some more? What are you going to lose for your program because of the regulations?

Governor FORD. I take it back, Senator. The regulations call for $15 million. We are in the process of evaluating every recipient in the State.

Senator CHILES. Were you all given any opportunity to make any input into the new regulations?

Governor HOLTON. That is still pending. A committee of the National Governors Conference will meet with Secretary Weinberger this week to discuss those regulations and my information directly

from Mr. Weinberger is that those regulations are not final and he wants to hear from the Governors before making them final.

Governor FORD. Senator, I must comment I heard a lot about regulations but when we get to those who are implementing them, they haven't interpreted them yet, so it will be some time before we understand them.

Governor HOLTON. I think that has to be resolved.

Governor EVANS. I might say we had some chance to provide some input and part of our input does relate to the flexibility—and I hate to overuse that term but I think this is really the key to this Federal-State relationship we are talking about—the flexibility to allow us to deal with those who we think are potential welfare recipients and who we might divert, you know, to some different opportunities.

I think we ought to retain greater flexibility than perhaps these draft regulations would call for, but as Governor Holton has pointed out we have already made an input. There will be a continued opportunity for input from the National Governors Conference and I hope ultimately we will have some additional breadth in what we do. We certainly don't expect to use anything less than the maximum amount which would be authorized for the State under the cap. If the regulations are narrower, we still have plenty of programs, plenty of opportunity for many things we believe should be done and will be able to most effectively utilize that Social Services match money. There will be very little trouble there.

Governor HOLTON. The regulations set up a system for checking whether we are paying eligibles or not—and, of course, we pay for few ineligibles because we don't catch them all—but many of the ineligibles cannot be detected by the system of checking set up in the regulations. Then when they sent out the Federal audit and the proposed new regulations, they found these ineligibles and said "you are paying ineligibiles" even though we had been checking for the ineligibles, in accordance with the guidelines. It is an endless circle.

I wanted to pay in accordance with their guidelines, but they don't want us to pay ineligibles, and they are going to take that money back if we pay ineligibles, even though we made the necessary checks. That has to be resolved and I think it will be resolved.

Governor CURTIS. Let me point out that we are one of the States who use private donations in this program. I have a letter I received from my department of health and welfare which indicates that many of our welfare programs will be shut down: homemakers programs in three counties will be discontinued and so on. I did get an appropriation from the legislature to continue everything at the current level through March 15 of this year, and then the legislature is going to try to weed out the programs and find some money to keep some of them going but the prospects of continuing many are poor.

Senator CHILES. Of course, as you all know, this is a program that started out with very good design, namely, to try to help the States develop the theory of innovative programs that would keep people from being welfare recipients, and it blossomed and it blossomed. And then there were tremendous abuses to the program by some of the States. Congress, of course, established the program with these tremendous abuses built into it, but the Department of HEW really

never set any real guidelines and allowed certain States like California, New York, Illinois, to go in and take great advantage of these programs and to really shift their own burden onto these programs, never doing anything to curtail the use of the programs. Then, of course, Congress had to place a lid on the programs. Now, we are seeing the situation where regulations are going to be adopted which appear to cut the spending below the place of the lid.

That is all the questions I have. I would hope this committee would question that situation on the regulations, Mr. Chairman, and I would like to hear from the Department as to what they are proposing in the regulations especially in view of the reports we are getting from the States and Governors.

Governor FORD. Our abuse in Kentucky is 1.4 percent and the average time on welfare is 2.1 years. So we are bound to miss some but we think that is pretty good.

Senator MUSKIE. In response to Senator Chiles, I think it would be very helpful if we could get that testimony from the administration. We hear disquieting rumors of a design to cut the program to $1 billion and maybe eliminate it altogether by 1975. In any case, we have invited the administration to send witnesses. We specifically invited Mr. Weinberger, Mr. Ash, and Mr. Lynn, and we are hopeful they will come here and testify and we can get some of that testimony covering that point.

Senator Roth?

Senator ROTH. Yes. I apologize, Mr. Chairman. I had to leave because of another commitment and haven't been able to hear all of the testimony. I will be relatively brief but I have a few questions I would like to ask.

I think it is important to point out that in this whole question we have a number of problems. One is the Federal Government itself, the Congress. What is it going to do in the budgetary area? I agree strongly with what Governor Holton had said, that the fault lies here in Congress. I introduced in January of last year a spending ceiling. If that had been adopted earlier in the year, the Congress would have known what it was doing. Hopefully, we are making some progress in that area, but I think the real crunch will be seeing when the new proposal comes before the House and Senate floor, whether the committees are willing to give up some of their power for true fiscal responsibility and accountability.

The second question, it seems to me, is the question of transition and I think there are some serious problems here I think you gentlemen can be helpful to us as we move from the categorical grant programs to a new approach. ButI want to be quite candid with the gentlemen here that one of the things that has concerned me, so far, is that we are not getting too much help in the area of what form should Federal assistance take.

The President has proposed special revenue sharing which to me is just another name for broader block grants. Well, when I came to the House in 1966 you couldn't even identify the programs. It took my office 18 months to do that. We made a number of surveys with the Governors and other officials as to these programs and, without exception, people have been very critical of the requirements and that too

much of the funds are being eaten up in administration. So, one of the questions I would like to ask you gentlemen here is: Let's forget for a moment the size of the Federal funds. Let's assume they are going to be the same whatever the nature of the program. Do you Governors agree that there needs to be a simplification in the form of Federal assistance and, if so, what form should that take?

Governor EVANS. I certainly do most enthusiastically believe there has to be a change. We all appreicate the opportunity to appear before this committee and to give this testimony, but I also believe that we probably wouldn't be here today and there wouldn't be a significant examination by Congress of the potential of special revenue-sharing programs, if the President had not made the impoundment of funds and called attention and triggered the debate and gotten us in this forum, which it is so important to be in.

Let me use as an example what we have done just as Governor Curtis has. We have a complete review of all of the Federal programs as they impinge on our State budget. In education, primary and secondary education alone, I have a list here of 14 separate Federal programs. This is everything from the Elementary and Secondary Education Act in several of its separate titles, Indian education, adult basic education, aNtional Defense Education Act, pupil personnel services, food services, a whole list of programs. We estimated for 1973–75 we would receive $90 million from the collection of those programs. With the President's budget we have that reduced and have reassessed our estimates and I believe now it will be just about $80 million or a cut of some $10 million. But that compares with our 1971–73 actual figures from those same programs of $65 million, so we will have a very substantial increase in spite of something less than we had anticipated.

But what is even more important is that we could much more readily review this somewhat lessened expectation and could much more readily get our educational programs in balance and much more readily handle the priorities of our own students if we didn't have to funnel money into 14 separate programs. Each one individually is a good program. Each one individually, I think, comes because there is an expressed need for the program, but the priorities of Washington are not the priorities of maine or of Kentucky or of Virginia or of any other State. Even when you speak of national priorities, and the need to meet national priorities, each of the states is at a different level in terms of their approach to those national priorities and the national standards.

We are undergoing now a significant research in our own State measuring categorical programs and the percentage of those categorical programs which go into auditing and administration and trying to estimate the equivalent at the Federal level and regional levels to govern those same programs.

I am convinced that a significantly higher percentage of today's dollar would get to the ultimate beneficiary of a program if we had substantial additional flexibility in these programs and that speaks directly to special revenue-sharing programs.

Just a few days ago I had a representative of our major minority community, our black community in Seattle, who have been the

recipients of many of these existing programs, speak to me, and she has been a supporter of greater governmental help for many of the people in that community but she put it bluntly and I think her view is shared by many others in the minority community, as well as many of us who are frustrated in government, when she said, "The real problem of the programs is that there are too many fat bureaucrats drawing big salaries and the people, themselves, are not getting the benefits of the programs."

Now, that was somebody from a recipient community, somebody who expected and hoped that these programs would have an impact.

Senator ROTH. I agree that one of the things that Senator Muskie alluded to earlier; that is, the overlapping services that we find, the redtape, those should be cleared up first, but bureaucrats are not only in Washington but they also are in the communities. They are at the State level. I run into it every day. All the time you find something in the drawers because the bureaucrat has been there for 25 years and doesn't want to do it the way I want to do it. So, I would agree with that.

I would agree we can eliminate many of the overlapping services that are involved. Governor Evans said that the States under the criteria for the regulations will lose money. He will lose an anticipated $10 million but we will have $5 million more than we had received at the previous biennium.

Governor FORD. Well, you are more fortunate than Kentucky. We had a growth in Kentucky between 1960 and 1970, but they shifted the use of spending the funds or the criteria from the 1960 census to the 1970 census, so we are in somewhat of a dilemma because we did not grow percentage-wise as other States grew. Therefore, we are being reduced. The budget in the education area would have to be doubled for us to stay at the same level.

As I said a few moments ago, about 22 percent of those in college or universities have an annual income of $9,000 and over 40 percent have an annual income under $6,000. So I need help. I think the States that have a problem should be given more. I am willing to face up to the problem but a transition period is what we will have to have in order to accommodate the program.

Senator ROTH. May I ask you this again, putting aside for the moment, money. Isn't simplification—or whatever you would call it—isn't that essential to get better service in the States from these programs? Or do you want to continue these categorical programs?

Governor FORD. I think simplification is fine and then you are going to leave it up to us to make the decision as to where it will go. I hear a lot of rhetoric that, you know, these things are going to happen but when the administrative personnel and the leadership of those various departments come in, they take our direct and opposite view of the President's statement and, actually, what is coming out of the departments.

I think this is what we are after here today to a great degree. That is, the communication so that when you say something we can depend on it and when we gear up for something and it doesn't come about, then that credibility gap widens.

Senator ROTH. Of course, we have not yet adopted those broad block grants——

Governor FORD. I understand that, Senator, but we keep hearing special revenue is coming. What is special revenue? How much will it be? What will be the guidelines?

Senator ROTH. What I am suggesting, Governor, is I think it would be most helpful if you would send us, one way or the other, some of your thoughts on how these new programs should operate, whether they should be simplified or what.

Governor FORD. I have it in there and I believe if you will read my statement, there will be some general directions and each of the 50 States will probably ask a little something different from the others.

Senator ROTH. May I also suggest that as these programs are developed, as they will be hopefully during the current year, and as each program goes through the appropriate committees, that the Governors make their views known then.

Governor HOLTON. Senator Roth, that is the problem. The whole question—and I would like Senator Muskie to hear this—the question here is, are we in a period of transition? Are we going to something called special revenue or broad block grants or simply consolidation of the categorical grant, if you please? Are we going to go to that? Because if we are not going to that, if the Congress won't respond to what the President calls special revenue sharing, then we are not in a transition period and there is nothing to transit.

Senator MUSKIE. Would you like me to respond to that?

Governor HOLTON. Yes, sir. Let me say, first, that I don't speak for the administration, but I am optimistic that if there is some indication from the Congress that we are going to special revenue sharing or broad block grants or consolidation of these categoricals, I think you will find a willingness to be flexible on the transition. But for 4 years, the President has been asking for special revenue sharing and you know how far it got. You know how far even general revenue sharing got until you Presidential candidates got into it and got it moving forward.

Let me say one more thing, and then I have to leave.

To go back to your question, Senator Roth, in the revenue-sharing area, in the beginning we had five pages of regulations. Now we have 90 pages of regulations. Flexibility should start at the top, I think.

Senator MUSKIE. May I respond briefly?

No. 1, this committee has been working for 10 years in this field.

Governor HOLTON. In what?

Senator MUSKIE. In this field. I was for revenue sharing before 1968 and I was for consolidation long before the President even heard about it, and I introduced legislation for that purpose and am still for it.

Let me say this, Governor, in all frankness, a great many people including many Governors who have testified and the Governors who have testified this morning consider that the President has broken his promise with respect to general revenue sharing. They supported general revenue sharing on the thesis that it was supplementary money, untied, and not a replacement for categorical grants. They believe that, and Governor Carter cited some chapter and verse.

Governor HOLTON. But——

Senator MUSKIE. Wait a minute. Now the other day I ran into a representative of the administration, who used to be a member of the

staff of this committee, and knew of my longstanding commitment to general revenue sharing. He said, "Senator, I hope you are not going to get rid of general revenue sharing." And I said, "Jim, the President has taken a long step in that direction himself by the unilateral actions he has taken. He has lost some credibility."

You can argue whether or not that is fair, but he has lost some credibility with respect to his commitment to general revenue sharing which undermines his credibility with respect to special revenue sharing.

Let me give you a couple of figures. The President proposed special revenue sharing in his fiscal 1973 budget. There were four areas: Urban community development, education, manpower training, law enforcement, which he proposed at $9.4 billion for his 1973 budget. In the same four areas in his new budget, he proposes $6.9 billion. That is a reduction of $2.5 billion. That is something more than a reduction. That is a cut.

Now, with respect to urban community development, the Banking and Currency Committee has worked on that consolidation—the block grant or whatever you call it—and they have a good bill. I hope it passes because it includes guidelines so that you are not just throwing the $2.3 billion at the States and communities and say "spend it." There is some indication of the national goals it is intended to serve. I am for that kind of grant consolidation and special revenue sharing.

I don't care what you call it but it has to be targeted. What I am concerned with, you know, is that some of the special revenue-sharing proposals, which we haven't gotten the details of yet, haven't been successfully targeted.

My second concern is that they are being underfunded to the point where the community is asked to do with this money more than they can reasonably do. So, underfunding is another problem. I am for rationalizing these programs. The legislative record of this subcommittee documents that. I don't have to belabor it at all. I think we have to move in that direction, but to sell these things, Governor, to a Congress is a tough proposition. I mean, general revenue sharing was a tough proposition to sell because it looked to many Congressmen that we were delegating our constitutional power over appropriations and they instinctively reacted against it. It was difficult.

Leaving my running for the Presidency behind, it was a difficult proposition in any case to get that concept sold. On the basis of Senator Mansfield's letter today—and he was never sold on it—the general revenue sharing itself is facing tough opposition. Now, when we try to sell special revenue sharing on top of that record, we have a tough problem. We are not helped when the President makes the process of moving a unilateral executive exercise.

That is what makes it damn tough. You and I can disagree about whether it is unilateral, but I am one of the guys who has to sell it. If you can't get me sold on it and try to sell it to this Congress, you are going to have a tough time finding salesmen.

Governor HOLTON. Senator, what the President is doing, as I see it, is not breaking a promise about general revenue sharing and taking it out of other places—the President still wants and hopes to get general revenue sharing and special revenue sharing. If he gets it, there is no consideration of a broken promise but, really, not every Senator

and certainly not every Member of the House of Representatives is as enlightened as you are on going to special revenue sharing. If he had to use an opportunity occurring because you have to get spending under control because of the inflationary force that Federal spending has on the economy, and you have to get this Government reorganized, particularly in this area of categorical grants, well, then the President had to use it. The President has used this tool to try to get the attention of your colleagues who won't vote with you on going to the block grants and he is getting it——

Senator MUSKIE. But look what he has done to the poverty program. He is dismantling it now.

Governor HOLTON. Not yet. He has proposed to——

Senator MUSKIE. The office doors are being closed and the people are being laid off, furniture is piling up, so he is dismantling it now and the special revenue-sharing program that would fill the gap doesn't take place in his budget until fiscal 1975, 1½ years from now.

Governor HOLTON. When did he want to put special revenue sharing in his budget, 1970? The 1970 fiscal year?

Senator MUSKIE. We have a government by executive fiat in other words? You think because of that he is pouting and saying, "I am going to do it unilaterally"——

Governor HOLTON. No, sir, he is smashing his fist on the table and saying, "Look here, fellows, we have to do something."

Senator MUSKIE. When you get into the fist-smashing exercise here, the Congress can do it, too. That is no way, Governor. I worked with legislators. I worked with our legislature that was more than two-thirds Republicans. I didn't have enough Democrats to sustain a veto and I got 90 percent of my program.

How? By shaking my fist at them. I vetoed three bills in two terms as Governor; just three bills as Governor. Now that is the way you do it. You don't do it by executive fiat.

Governor HOLTON. Watch that fist, Senator. Watch that fist.

Senator MUSKIE. You see, we can do it, too.

Governor EVANS. I would suggest to the chairman that perhaps you were so successful because you did have a Republican legislature.

Governor HOLTON. Yes.

Senator MUSKIE. Or maybe they were successful because they had a Democratic Governor.

Governor CURTIS. I think one of our problems at the State level, quite truthfully, is not a question of disagreeing with the President's desire to cut Federal spending but I think it is honestly a two-way street. All he tells us is he wants to cut spending but he doesn't give us an opportunity to say where we would like to have it cut, and the only thing we can see at the State level, as I think Senator Fulbright said yesterday, that what the President is interested in is not in saving money across the board but in providing welfare for the rich and rugged individualism for the poor. We disagree with that. If block grants are going to be made and we are allowed to chose which segment of society, through the legislative process, gets the grants, then, fine. But it appears to be just a method of cutting out these programs.

Governor EVANS. I don't believe for one minute the President is for rugged individualism for the poor and special programs for the rich.

I think there have been a number of remarks made this morning along that line but I think the President has attempted to get the attention of Congress and the people in terms of total spending.

I, for one, don't believe that there is a broken promise in terms of general revenue sharing. I am gratified that our State has the opportunity to utilize general revenue sharing and Senator Muskie has been one of the long-time advocates and we appreciate the opportunity we have been given. Even if—and I don't believe that for one minute this is the case—but even if general revenue sharing did nothing more than replace cuts which have been unilaterally made that is a major step forward because to that extent, at least, we have the opportunity to set some of our own priorities and to give some of our own direction, which we simply didn't have before.

I suggest that is just the first step of many that ought to be taken. Senator Muskie mentioned guidelines and I think guidelines are fine as long as guidelines don't turn into rigid paths which too often they have.

Earlier we had mention of 5 pages of regulations on general revenue sharing which has now turned into 90. I protested vigorously the addition of that much in the way of regulations on general revenue sharing because that tends to destroy the basic concept.

Some national goals ought to be set, some guidelines in reaching those goals ought to be set, but I think a maximum of flexibility should rest with State and local governments to meet those national goals is essential and I guess all we are asking—is that there be the same level of trust and confidence in the State and local governments—which I believe there ought to be—that we have in our own local governments with the traditional revenue sharing we have carried on with our local governments.

I am not asking for excessive regulations and excessive guidelines but instead asking for some faith that they do respond to people in their communities, that they do have a sense of priorities of their own areas.

If we had that same sense of trust and confidence between the Congress and the administration and our local and State governments, then I think a special revenue-sharing program, coupled with general revenue sharing would bring this Nation a lot better response for each tax dollar then we are getting today.

Senator Muskie. I would like to read for you the President's recommendation on Federal revenue sharing and this is from his State of the Union Address:

> Five billion dollars of this will be new and unrestricted funds to be used as the States and the localities see fit.

This record is replete with language suggesting that States and localities can use this new and unrestricted money to continue those categorical programs. Now, that certainly is a change already. That is a change in rhetoric. Whether or not it is a change in requirements, I am not sure.

Well, I am sure this dialog could go on and on. I have to leave because I have to be downtown to participate in a conference on Soviet-United States trade that promises to be very interesting.

Governor HOLTON. May I say one sentence before you leave? I want to respond to Governor Curtis' remarks about rugged individualism for the poor by pointing out in the 4 years since 1968 the President has been in office, the provision in the budget for human resources has risen in dollars up to a substantial $118 billion but in percentage figures it has risen from 38 percent up to 47 percent in this budget, so there is an increased percentage and an increased figure. That is one sentence, Senator.

Senator MUSKIE. A great part of that was the social security benefit increases, which he imposed last year.

Governor CURTIS. Figures are very impressive but if this translates to a lot of elderly people that no longer have meals carried into their rooms, then they are not so impressive.

Governor HOLTON. We are still caring for them in Virginia.

Governor EVANS. And we are still carrying those meals in Washington. You may not be in Maine, but we are.

Senator MUSKIE. Incidentally, Governor Evans, in the testimony of Mayor Ullman of Seattle last week, he said:

> Under this budget the City Government could use a fund equal to its general fund for 1973; well over half of the federal funding it is currently receiving.

So maybe some of your local governments face greater difficulties under this budget than the State government. I don't know, I don't want to get into a disagreement between you and the mayor.

Governor EVANS. We disagree quite often.

Senator MUSKIE. Well, thank you very much, gentlemen.

[Whereupon, at 1:15 p.m., the subcommittee recessed to reconvene at 10 a.m., Wednesday, February 28, 1973.]

PREPARED STATEMENTS SUPPLIED BY GOVERNORS

PREPARED STATEMENT OF GOVERNOR WENDELL H. FORD OF KENTUCKY

The purpose of this statement is to provide a realistic, matter-of-fact assessment of the $268.7 billion budget submitted to the Congress by President Nixon for Fiscal Year 1974.

The stated objectives of President Nixon's budget are: (1) To curb government spending in an effort to reduce inflation; (2) to move away from big government and place more responsibility with state and local governments; (3) to avoid an increase in taxes; and (4) to work toward achieving a balanced budget by Fiscal Year 1975.

Viewed in the abstract, these are commendable objectives. Analysis of the proposed budget for Fiscal Year 1974 shows, however, that the stated objectives and the actual impact of the Nixon budget are two entirely different matters.

I favor fiscal restraint. I favor reduction of the federal deficit. I favor the philosophy of state and local governments assuming more responsibility in delivering needed services to the people. And I favor the concept of people doing more for themselves.

Yet the rhetoric does not coincide with the budget proposals, and unfortunately, what has thus far been advanced for public consumption from the White House is not the reality of this budget. It is, therefore, incumbent on the Congress, the Governors and local officials to clearly explain that what Mr. Nixon is saying and what his budget dictates are most assuredly not one and the same.

I believe we have a coordinated responsibility to first make the public aware of what can actually happen to our social, economic, and environmental systems, then try to alter the programs so they will indeed come more into line with the President's publicly expressed intentions.

Without this generation of a new spirit of leadership on all our parts, we will have to assume a share of the blame for what appears inevitable through the implementation of this budget.

The contents of the proposed budget make a mockery of stated objectives.

(1) In curbing government spending in an effort to reduce inflation, why must the main brunt of this effort fall upon many domestic programs serving important human and social needs? Is this the price to pay for the relaxation of price and wage controls under Phase III? The record of the Nixon Administration in dealing with the cruel problem of inflation does not inspire confidence. As with the proposed budget, the approach of the Administration in seeking to curb inflation seems more inspired by desire to protect the economically and socially privileged, rather than to improve the performance of the economy in serving the needs of the people.

(2) Reducing the role of the Federal Government and placing more responsibility with state and local governments is a desirable shift in political structure. However, it is totally unrealistic to believe that this shift can be accomplished upon the preemptive command: Sink or swim. In Kentucky we have recently undertaken a full-scale reorganization of state government to strengthen our capability to take on more responsibility as well as improve efficiency and effectiveness in program planning and implementation. As foresighted as our effort may have been, it was based on the common sense realization that there must be an orderly transition in the devolvement of Federal programs to the state and local levels of government. The proposed budget for Fiscal Year 1974 clearly does not provide for an orderly transition.

This lack of proper transition is very apparent in the Administration's proposed changes in economic development programs—such as abolishing Economic Development Administration (EDA) aid programs.

EDA funds have been cut off entirely for any new projects. This means that projects in early planning stages for EDA funding will come to a halt. Even if the funding for the Rural Development Act of 1972, to which the President proposes to shift financing, is quickly approved; many months will be required to set up the Federal administrative mechanisms to handle new development projects. Additionally, the Rural Development Act is administered by the Department of Agriculture, which certainly is not as well oriented to industrial and commercial development as the Department of Commerce which administers EDA. Planning and initiation of new projects will be delayed or entirely halted—and Kentucky's economic development will be slowed. Such rash actions of the Administration present a profound threat to the entire concept of shifting Federal responsibilities to state and local governments. That is, the disruption and dislocation of programs involved in the proposed budget could—indeed will likely—discredit the idea that state and local governments can successfully assume greater responsibility.

(3) Avoiding an increase in taxes is perhaps the most deceptive of the stated objectives of the proposed budget. Throughout the Nation, state and local officials were told by the Nixon Administration that General Revenue Sharing was being provided to relieve fiscal crises facing state and local governments. The proposed budget for Fiscal Year 1974 is clearly at variance with the avowed purpose of General Revenue Sharing. State and local governments will be thrown upon their own resources to try to sustain programs slashed or terminated in the proposed budget. This is completely contrary to the fundamental idea underlying revenue sharing, which is that there is economic and social advantage in using Federal taxing power to support programs administered according to priorities set at state and local levels of government. The proposed budget is a retreat from revenue sharing.

As a further example, the proposed budget does not avoid increased taxes. It actually increases the most regressive of taxes as evidenced by increased Medicare charges and costs to be borne by those least able to pay.

What the budget shifts from the Federal government to the state and local government is the acute problem of balancing income and expenditure.

Another way of looking at the President's tax posture is that he is shifting the federal deficit to states while increasing the costs of states to subsidize the rest of his budget.

(4) With respect to balancing the Federal budget in Fiscal Year 1975, considerable skepticism must be expressed. The ability of the Nixon Administration to properly manage the economic and financial condition of the Nation has yet

to be demonstrated. The greatest threat to attainment of a balance of income and expenditure in Fiscal Year 1975 is clearly the continuing failure of the Nixon Administration to bring the Nation's economy to full employment. The proposed budget for Fiscal Year 1974 would have direct adverse effects on employment, and indirect, or secondary, effects of an adverse nature on public confidence and expectations. Rather than promising a balanced budget in 1975, the proposed budget for Fiscal 1974 has in it the seeds of economic failure and disillusionment.

The tragedy of the Nixon budget for 1974 is not just in the termination and crippling of specific programs. The greater tragedy is its rejection of the alternative of devising an orderly transition of Federal responsibilities to state and local levels of government.

Additional comments are submitted concerning specific programs and fiscal impact the 1974 proposed Federal budget will have upon the state of Kentucky. However, there is no way to determine the full impact of the proposed budget, because many changes require substantive legislation which has not yet been submitted to the Congress. Also, programs such as the navigation and flood control projects, administered by the Corps of Engineers, which are scheduled for a $500 million cutback in Fiscal 1974 cannot be adequately analyzed because the proposed budget does not indicate project priorities.

HUMAN RESOURCES

The first area of concern is the Administration's lack of support for meeting human needs. Mr. Nixon's budget message states, "The 1974 budget for human resources program, like the three that have preceded it under this Administration, reflects my conviction that social compassion is demonstrated not just by the commitment of public funds in hope of meeting a need, but by the tangible betterments those funds produce in the lives of our people.

The President is correct in stating that this budget strives to meet human needs like the three that have preceded it under his Administration. The only problem is that the states are just learning what the President means when he says "tangible betterments" and it took the currently proposed regulations by the Department of Health, Education and Welfare in regards to social services under the Social Security Act to teach us this.

"Tangible betterments" refers to the financial status of the Federal purse and not to the lives of our people. Under the proposed regulations of the Department of Health, Education and Welfare, the state of Kentucky stands to lose in excess of $15 million for the provision of social services to our needy citizens. For example, services for emotionally disturbed and abandoned children and for the prevention of drug abuse are severely diminished. The regulations as written would require a sudden and almost complete change in the type and level of social service program the state could deliver through the help of Federal matching funds. This is a perfect example of "tangible betterment" for the Federal purse while we foresake the needs of our nation's poor.

The President's Budget Message states the following objective: "We can and will find better ways to make the most of our human resources—through the partnership of a restructured Federal government and strong state and local governments and with the help of a socially committed private sector that is bolstered by a revival of individual initiative and self reliance among our people." The private sector is willing. Yet the proposed social services regulations preclude the use of donated money from private and voluntary sources, and impose severe restrictions on use of funds from public sources as the state's share for Federal matching. This contradiction in words and actions is dramatic.

Congress has mandated a ceiling of $2.5 billion for social services and yet the President's budget only proposes the expenditure of $2 billion. The Department of Health, Education and Welfare should assist states by providing guidelines which enhance the states' capability to respond to identified social service needs. Instead, the proposed regulations so severely restrict the social service delivery capability of states as to raise the legitimate question—is it the Administration's intent to dismantle social services entirely?

Another example of the contradictions inherent in the President's budget are the major changes proposed in the Medicaid program. On the one hand he says

that the proposed changes will be more beneficial to the nation as a whole, while on the other he has stated that the cost to Medicare patients will increase. How can it be beneficial to the nation as a whole when several million Medicare recipients will be forced to dip into what little savings they may have to pay the increased cost, or the states will be forced, from their limited resources, to see that the elderly people have adequate hospital care? Although, the increased cost to Kentuckians in terms of dollars and cents is incalculable, we know that there are approximately 330,000 Kentuckians covered under the Medicare Insurance Program who will be affected. The President's program calls for the deductions for hospital services to be raised from the present $72 to a deductible which will require the beneficiary to pay the actual first day room and board charges plus 10 percent of actual hospital charges thereafter.

The Department of Health, Education and Welfare said the changes are aimed at establishing "a cost awareness on the part of the Medicare consumer which, besides its effect on over-utilization, should inhibit hospital price increases." Who really contributes to over-utilization? The Administration points a finger at the Medicare recipient. I do not believe that the Medicare patient is the major cause of over-utilization. How many people can walk into a hospital and admit themselves, or how many hospitals will accept a man walking in off the street as a patient? A doctor has to admit a patient and the hospital has to accept him. The doctors and the hospitals contribute to over-utilization to a far greater extent than the patients. Penalizing the patient because of mismanagement over which he has no control cannot be morally justified.

It has been estimated that since 1967 United States hospitals have probably overcharged the Medicare program in excess of three hundred million dollars. The responsibility for the end cost of the Medicare program lies primarily with the Department of Health, Education and Welfare administrators. If an effective review system were utilized to eliminate "over-utilization," I believe we would not be faced with placing more financial responsibility on the Medicare beneficiaries. Utilization by doctors and hospitals of out-patient facilities would greatly decrease Medicare costs.

The proposed shifting of costs for medical services are just as traumatic to the Medicare recipient. The present deductible of $60 and 20 percent of remaining cost are proposed to be increased to $85 and 25 percent of all remaining charges. President Nixon has said. "The changes will reduce the financial burden for one percent of all Medicare patients who are hospitalized more than sixty days, when they now have to start paying a share of their bills." I submit that the "reduced financial freedom" will accure to the Federal government—not to the Medicare recipients who are *already* paying a share of hospital and doctor bills. The Administration's proposal is an apparent attempt to shift the health care crises to the shoulders of those who are least able to pay for medical services, primarily the elderly on minimum fixed incomes.

Administrative costs for medical services are estimated to run as high as thirteen percent of benefit payments, which is an astounding figure for administration. If the President is desirous of trimming the budget, he should start with the administrative costs of his own programs and not at the expense of the elderly people who are covered under Medicare.

The President's 1974 budget proposes a legislative change which would eliminate the eligibility of adults for dental services under Medicaid. Such a cut would deny dental services to approximately 13,000 Kentuckians annually. The federal participation in this program, in Kentucky, is about $243,000 per year.

The termination of the Hill-Burton program as proposed in this budget will cost my state an estimated $5.8 million next year in much needed health faciltties construction money. We are not trying to expand hospital beds needlessly in our state, but rather need to modernize, upgrade, and replace over 1,500 hospital beds and 700 nursing home beds that are below acceptable standards of modern day care. If these funds are terminated, the improvements of these facilities will have to be delayed indefinitely.

The elimination of federal support for immunization of children against measles, rubella and polio will mean that approximately 150,000 of Kentucky's children will not receive these services next year. Kentucky is still feeling the effects both financially and emotionally of the last rubella epidemic in our state. The epidemic cost Kentucky families dearly in terms of lives and disabling handicaps. We feel that the rubella immunization program should be continued.

EDUCATION

Elementary and Secondary Education

The President's proposed budget would entirely eliminate programs supported under Titles II and V of the Elementary and Secondary Education Act (ESEA) and Title III of the National Defense Education Act (NDEA). Elimination of these programs means no federal aid for school support services such as libraries, textbooks, and audio-visual aids; no federal aid to strengthen the state administration of educational programs; and no federal matching (50-50 ratio) funds for remodeling laboratories and classrooms in elementary and secondary schools. The elimination of these programs will result in a loss of $2.9 million to Kentucky.

Abolishment of the federal subsidy to school districts for non-military employees with children who live on private property will cost Kentucky schools $3.5 million. Abrupt termination of this program will cause serious financial problems for many local school districts. No program with potential financial consequencies of this magnitude should be abruptly terminated, but should be phased out in an orderly process.

The Administration has explained (p. 1077, Appendix, The Budget of the U.S. Government, Fiscal 1974) its proposed amendment to reduce the current year appropriation request for the Elementary and Secondary Education Act by $15.8 million, with this statement: "The proposed decrease takes into account the availability of General Revenue Sharing funds for local educational agencies." However, the State and Local Fiscal Assistance Act does not permit local governments to expend general revenue sharing funds for educational programs.

Libraries

The budget proposes elimination of all categorical aid programs for public, local school, and college libraries. In addition to $1.4 million loss to local schools for library aid. Kentucky's public libraries will lose $1.0 million for library services.

Termination of aid for local libraries apparently rests upon the assumption that local governments will use General Revenue Sharing funds to replace the discontinued categorical grant programs. Such actions are clearly at odds with the original promises made when revenue sharing became a reality.

Apparently the Nixon Administration does not consider adequate library resources as a necessity for the development of a sound basic educational program. Such lack of library support could seriously jeopardize the accreditation of elementary and secondary schools and our institutions of higher learning.

Education Revenue Sharing

Special education revenue sharing, as proposed in the 1974 budget, would combine some thirty narrow categorical aid programs into an educational assistance package categorized into five board-purpose grant programs. It is impossible to assess the total effect of this program change on Kentucky because the special education revenue sharing legislation has not been introduced in Congress. It is clear, though, that some programs will suffer significant reduction. For example, Titles I and III of the Elementary and Secondary Education Act would be continued under special education revenue sharing, but in the 1974 federal budget these activities would be continued at the 1973 funding level. Thus we would have "continuation reduction" for some of the programs being folded into education revenue sharing.

Legislation for education revenue sharing should provide advance funding for state agencies to assure sufficient time for adequate financial and program planning. The present situation, in which delayed appropriations are common practice, creates such uncertainty that thorough planning is impossible.

Education revenue sharing legislation should also recognize that all states and local governments have problems of a varying nature and of a different magnitude. To accommodate these differences, the state governments must be permitted latitude in deciding program priorities, and they must be provided with a realistic level of financial support.

In examining the President's proposal for special education revenue sharing submitted to the last Congress, we found that federal aid for education in Kentucky would have been less than under the categorical programs, except

that the proposed legislation guaranteed that each state would not receive less than the average received in reecnt years under categorical programs. Such a guarantee in this year's legislation is essential for Kentucky.

The use of 1970 census data in calculating allocations next year makes it even more important that any legislation include a guaranteed continuation support level. In Kentucky, as in certain other states, population has been increasing, but the relative growth rate has been less than the Nation. Therefore, Kentucky would receive less of the total aid available—unless rather large increases are made in the federal appropriations. Lacking such increases, the poorer state, like Kentucky, will receive a lesser share of the federal education dollars in 1974.

Higher Education

Over the last few years, Kentucky's institutions of higher learning have been financially buffeted by changes in federal regulations as well as changes in federal funding. Increased social security contributions and federally mandated changes in workmen's compensation regulations, unemployment insurance guidelines, and in occupational safety regulations have drastically raised costs for our state institutions. Last year alone the increased cost to one of our institutions was over $2 million.

The same institution will lose approximately $1 million a year in federal support under the proposed budget. Gentlemen, this is a net loss of $3 million in funds for direct program support. The only way the institution can absorb such loss is to cut back programs.

It is especially distressful that our institutions of higher learning face significant reduction in federal support at the very time that federal laws and regulations, as well as inflation, have substantially increased their costs of operation. Improvements in workmen's compensation, unemployment insurance, occupational safety, and social security with respect to employees of universities and colleges is desirable, but we should be concerned that financial support be sufficient to avoid impacting institutional budgets to the point that instructional programs are damaged.

The President's budget requests full authorization of $959 million for Fiscal 1974 and a supplemental appropriation of $622 million for Fiscal 1973 to fund the Basic Opportunity Grants Program authorized by the Education Amendments of 1972. The full funding of the Basic Opportunity Grants Program is a step in the right direction to assist needy students of our state to attain a college education. However, it appears that along with the recommendation of full funding for the Basic Opportunity Grants, the President has disregarded a provision of the Education Amendments of 1972 which bars the awarding of Basic Opportunity Grants in any fiscal year, if the appropriations for Supplemental Educational Grants, Work-Study Payments, and National Direct Student Loans are less than specified by law.

The President's proposed budget for 1974 does not satisfy these minimums. The Basic Opportunity Grants Program is laudable, but Kentucky will take a step backwards without support of the companion programs. With no money available to supplement the Basic Opportunity Grants from the scrapped National Direct Student Loan Program and the Educational Opportunity Grant Program, many students may be left marooned with only half the aid they need to attend college.

Kentucky's public and private colleges and universities received $20.8 million in federal support from the National Direct Student Loan, Student Educational Opportunity Grants, and College Work-Study programs last year. The probable support under the Administration's proposed budget for these programs will approximate $3.1 million, which is entirely for college Work-Study Payments. This represents a potential deficit of over $17.0 million in institutionally controlled student aid funds which cannot be replaced by Basic Opportunity Grants and Federal Insured Student Loans, especially where the decisions on recipient selection and award amounts are made outside the educational institution.

A viable student aid program must continue to include substantial funds, which can be targeted by the educational institution on students having substantial financial need. Therefore, funding of the existing campus-based programs at the levels required by the Educational Amendments of 1972 should have priority over funding of the new Basic Opportunity Grant Program.

Moreover, students and parents need to know very soon what to expect from student assistance programs for enrollment in the fall semester of 1973. Hasty implementation of the Basic Opportunity Grant Program with its new needs analysis requirements and administrative structures may result in greater con-

by the fact that 45 percent of all students attending a college or university in the fall of 1972. Implementation of the Basic Opportunity Grant Program is at least four to six months behind right now for Fiscal 1974. The prudent course may be to delay implementation of this program until Fiscal 1975 and shift the funding to the other programs already in operation.

The President's proposal creates serious problems for students in Kentucky, for in some of our institutions over 50 percent of the student body requires some form of financial assistance in order to attend college. It is further complicated by the fact that 45 percent of all students attending a college or university in Kentucky come from families with incomes of less than $9,000 and 22 percent from families with incomes below $6,000. As you can see, opportunities for education will be limited for some students in Kentucky, because not enough avenues of financial aid will be available to meet college expenses.

A major contradiction in the President's budget is in the area of health education. We have heard the President talk about improving the delivery of health services and lowering the cost of medical care through advanced and innovative delivery systems and by proper use of medical personnel. In an effort to extend the services and knowledge of our physicians, we should educate and train doctor's assistants and various other para-professionals in the delivery of medical care. Just as our schools are getting geared up to provide this instruction, the President proposes a budget that reduces drastically the federal funds necessary to support the programs. It is estimated that our public universities alone stand to lose in excess of $750,000 in nurse and allied health manpower training funds. How can we be expected to improve the quality of medical care in Kentucky without these funds to educate the essential personnel?

The President's budget contain's $31.4 million for interest subsidies on past loans obtained in the private market for construction of academic facilities. The Department of Health, Education and Welfare has said that no new loans will be subsidized and no funds for direct loans or grants will be made.

College enrollments are stabilizing, and the need for expanding college campuses has diminished. However, our institutions still have a very serious problem in replacing facilities that are antiquated or obsolete. Without interest subsidy grants, our colleges and universities will not be able to modernize and update their campus facilities to keep abreast of the educational needs of a rapidly changing society. The loss of these grants will increase our financing cost by as much as 4.5 percent or over $1 million a year for anticipated construction projects on our campuses.

Agriculture is one of Kentucky's most vital economic resources and is an industry that concerns us greatly. We are constantly looking for ways to improve our own agricultural industry for we believe its viability is vital to the economy of our state. It troubles me greatly to see the President take over $300,000 away from my state's agricultural research program. Apparently he feels there is no need to try to improve upon our farming techniques or to try to find methods of increasing productivity. It is especially ironical that the President should cutback for such research at the very time that rising food costs are a major national issue.

ECONOMIC DEVELOPMENT

Economic Development Administration

The proposed budget eliminates all Economic Development Administration (EDA) activities. This abrupt halt of EDA activities will stifle the industrial development thrust that has been attained in many economically depressed areas. If such development funds are totally eliminated, Kentucky will be forced to provide an additional $3–5 million annually from state funds to carry out essential industrial development and related activities—such as construction of industrial sites in depressed areas of eastern Kentucky.

Additionally, immediate abolishment of EDA will have a severe impact on Kentucky's ability to construct vocational education facilities. It was anticipated that Kentucky would receive approximately $8.6 million over the next two fiscal years for state and local vocational facilities. Now we are quite uncertain about the future source of funding for these much needed educational faciilties.

Discontinuing EDA Title V planning grants to regional development districts would mean the loss of approximately one-quarter million dollars in planning grants for the area development districts in Kentucky. In order to maintain area planning operations on a continuation basis, all or part of the EDA share must

be met from other state or federal sources. The President proposes to shift support of such sub-state planning agencies to Comprehensive Community Planning (HUD 701) funding. However, the proposed budget increase for HUD 701 programs is only one-fourth of the amount that is cut in similar EDA funds.

Outdoor Recreation

Budget reductions for the U.S. Department of Interior's Land and Water Conservation Fund, which supports the Bureau of Outdoor Recreation (BOR), will result in a loss of nearly $2 million for the state. These funds provide the essential land acquisition dollars to promote the economic and recreational opportunities of Kentucky. Since tourism and recreation play such an important part in Kentucky's economy, this will be a severe set-back for the state—and an additional, unanticipated drain on state dollars.

Rural Environmental Assistance

An end to the 30-year-old Rural Environmental Assistance Program (REAP), formerly known as the Agricultural Conservation Program, will deny Kentucky farmers $5 million in cost-shared programs that emphasized the conservation of our soil, our trees, our water, and other natural resources.

Housing

On January 5, 1973, the federal government established a moratorium on all new low income subsidized housing programs. This includes both the HUD 235 and 236 programs as well as the Farmer's Home Administration 502 program. The Farmer's Home Administration programs, as well as the HUD 235 program for renovation of existing housing, has been cut off completely since there is no pipeline of advanced commitments. The effect of this moratorium on HUD programs for open space public housing, rent subsidy, rent supplement, public facilities loans, and water and sewer project grants is a freeze on nearly $30 million for various projects in Kentucky, that are currently in the application stage. In the Fiscal 1974 budget proposal, no funds have been requested for these housing subsidy programs pending a review by the Nixon Administration. With this complete freeze, and the resulting uncertainty about any future federal funding for housing, state and local governments are put in the precarious situation of not having any incentive for planning new housing developments, since the Administration seems reluctant to make available any funding. The drastic need for housing is clear; but with the funding cut, we will see a severe decrease in low and moderate income housing.

Development Conclusions

In appearance, the Administration's proposals are to shift funding of programs currently financed by EDA, Model Cities, Urban Renewal, Rural Electrification Administration, and many other rural and urban community development programs to the Rural Development Act of 1972 and the proposed Urban Community Development Revenue Sharing programs. In fact, however, the Administration's proposals would cut total dollars for development activities. True, state and local governments would be able to undertake urban renewal or model cities projects—if they discover some magical way to stretch one dollar far enough to buy two dollars in program services.

Additionally, the proposed Urban Community Development Revenue Sharing is not to be effective until Fiscal 1975. This will create a totally unnecessary delay in planning and initiation of new projects between the time that the categorical programs are terminated and the time that the new urban development program would begin.

Prepared Statement of Governor Dale Bumpers of Arkansas

I would like to preface my remarks by stating that never during my tenure as Governor, have I found it so difficult to plan and budget to meet the needs of my State. Twenty-three point three percent or $192,657,372 of $826,092,843 of the budget funds which were expended by the various State agencies during the last fiscal year were Federal in character. (This doesn't include funds spent for Higher Education or by LEAA.) The ambiguity and uncertainty we face while trying to work with the Federal Government during this time of change, increases daily in terms of new impoundments, changes in impoundments, new eligibility guidelines, anticipated guideline changes, proposed budgets, proposed

budget cuts, and the continued uncertainty of what funding priorities at the Federal level will even remotely fit the needs of Arkansas. I know other States face similar situations, but with roughly one quarter of our State's revenue coming from Federal sources, we need answers now.

The departments of state government report effective executive impoundments of $84.8 million in programs which either flow through their department or are related to the work performed by the particular department. (See attached material on impoundments.)

The potential impact of the President's proposed budget is even more alarming. Current figures show a potential loss reported by the various agencies of state government of $77.3 million, while the figures are changing, the implications are clear: Social and human service programs, and rural development programs are being cut.

On the other hand, the President's budget promises greater initiative at the local level, less restrictive guidelines and great economics in administration. I champion these goals. The basic problem is the apparent federal priorities for spending do not correspond with our needs. And rather than meeting our goals, we find ourselves in a state of crisis.

For too long we have had overlapping federally funded programs through various agencies of state and local government. There is little coordination between them; the result is often a limited impact on the recognized need or problem. This only leads to the general public perceiving a waste of their tax dollar and a sense of frustration by program participants or recipients because the problem remains unsolved. I feel that new federal initiatives with proper development, can achieve the goal of more effectively and efficiently meeting our needs. To achieve this goal all levels of government must understand and concur in developing national priorities. Also, if we are to shift responsibility to the local level we must also develop the administrative ability to meet these responsibilities.

It is my conviction that the funding priorities of this administration's budget are inconsistent with the needs of our country; much less Arkansas. I can recognize that some federal domestic programs that proved unsatisfactory or inappropirate must be curtailed or eliminated. But, the priorities developed for making these cuts must be carefully established to make certain that the human needs of people are recognized.

The immediate application of restrictive guidelines and impoundments of federal funds leaves us unable to continue worthy programs. While Special Revenue Sharing may provide future relief, we are in an immediate crisis.

The facts are that at least 75% of Arkansas' existing social service programs are either closing their doors, or are in the midst of a financial crisis. An example is community mental retardation centers. Less than 18 months ago we had 20 such centers caring for 400 children. Now we have 82 centers caring for just under 2000 children. We may have to close virtually every one of the new centers started in the past year and a half. This situation has developed because the new federal guidelines completely alter the philosophy and character of the program. These guidelines are the result of limitations placed on Title IV–A funds and prohibitions on the use of private funds for matching purposes. Such restrictions in guidelines certainly do not comply with the "spirit" of making local government and local people more responsive and responsible to local needs.

The key to all our problems with the Social Services regulations relates to a narrow categorical grant program philosophy. The "targeting" or providing specific services for a narrowly defined categorical group to accomplish limited objections is unworkable in a state that is made up of very small cities, towns and rural hamlets.

It is not logical to provide limited services to blind children who are welfare recipients when there are no services available for the other 97% of our blind children. Individuals are never encompassed by a single need category such as a welfare mother or a physically handicapped individual.

The irony is that the Social Services under Title IV–A and XVI were reasonably flexible and responsive to both individual and community needs. We responded to the federal offer, and now the contract is being broken. Is it to be the same with the next program that comes along? New programs are discarded before they have the opportunity to show success or failure.

General Revenue Sharing does not provide relief. In Arkansas' Department of Social and Rehabilitative Service alone, losses of federal support will equal half of the state's general revenue sharing funds. The losses include 1.5 million for

Mental Health (IV–A, XVI, XIX), 5.5 million for Mental Retardation (IV–A, XVI, XIX, ESEA I), 1.6 million for Juvenile Services.

While these amounts may sound small to those who think in billions, they are highly significant percentages of Arkansas' total programs.

Our Juvenile Services program is a good example of how various policies eliminated support for a good program.

The Juvenile Services Budget for FY 1973 include 30% federal support from Title IV–A of the Social Security Act, 15% from Title 1 of the ESEA, and 3% from vocational education funds. Each source has been eliminated with different methods. Title IV–A has excluded all of our programs for delinquent, dependent and neglected youth by restrict guidelines. The support for education has simply been phased out by Executive Action. Future promises of special revenue sharing do not help us fund critical programs which have already been cut back. It is bad business and bad economics to shut down critical programs with no provision for a transition to new funding methods. We cannot plan for the future on the basis of federal program that *may* pass.

Arkansas has been spending a significant portion of the total State budget in providing an oustanding institutional program for the retarded. Retarded persons are not "warehoused" in Arkansas. Each individual has a program that moves toward return to the community and toward independence. This program budget for 1973 included $5,466,000 federal funds out of a total budget of over $17,000,000. Most of the federal funds were from Titles IV, XVI, and XIX (ICF) and approximately $800,000 from Title I, ESEA, and other grants.

Under new guidelines for thes programs our most optimistic estimate is $1,000,000 and it could run as low as $300,000.

We have been advised that we would realize substantial benefits due to HR1 and the Federal Government's take over of payments for the aged, blind and disabled. This is not only no help at all to us in FY 1973 but will cost us an additional $10,000,000.

In the area of Health Care, I heartily agree with the President's goal of providing adequat primary health services to all of our citizens. Arkansas' need for more family physicians is acute. There are areas in Arkansas that have only one physician in an entire county. We recently prepared a plan for submission to the State Legislature that addresses itself to meeting this need. Included in the plan was a dramatic expansion of the University Medical Center increasing its emphasis on family practice and expanding services and facilities to increase our student enrollment about 50%. We anticipated a $30,000,000 expansion with $18,000,000 from state and the balance from federal funds. We are now told there will be no federal funds. It is paradoxical that the Administration's budget places a priority on primary health care, yet eliminates funding for expansion of medical school services and capital improvements.

An additional problem is the Administration's announced intent to mandate manpower revenue sharing. Arkansas will lose approximately 26% of its federal funding for Manpower Training. Current inventory indicates that over 21,000 people in Arkansas are receiving training or employ from these programs. Legislation is needed calling for adequate funding while incorporating the funding with an option for public service employment. In rural states, this option is a very valuable tool which provides employment in areas where the economy is lagging.

I am concerned about the future of programs which encourage rural development. Since its inception in 1965 EDA has spent $55,680,602 on 228 projects in Arkansas. This has accounted for approximately 29,000 new jobs. These funds were often the critical difference in small rural communities as to whether they lived or died. The same applies to the water and sewer loan and grant program of the Farmers Home Administration and to the Title V Regional Commissions (Ozarks). Project funds spent by the Ozarks Regional Commission in Arkansas since 1968 total only $11,065,092 but have accounted for 4,545 jobs, 2,065 students enrolled in continuing programs, and a total federal impact of $24,249,489 within the state. These funds are the most useful of all because of the fact that plans plans for overall development are conceived locally and decisions for spending are made locally. The Title V Commissions in my opinion offer a pure form of revenue sharing (within the framework of an overall development plan). In addition they offer the capacity to deal with problems on a regional basis. These programs should be continued until a suitable alternative is provided.

There is a universal desire to eliminate waste, eliminate ineffective programs we can responsibly meet new challenges. It makes no sense to trim programs

designed to improve local government or loan federal officials to local governments should be assisted in expanding their administrative capacity so that we can responsibly meet new chalenges. It makes no sense to trim programs designed to improve local government or loan federa lofficials to local government. while at the same time piling additional responsibilities upon local government.

We need a federal approach which will permit the states to assume greater responsibility for comprehensive program development as opposed to the narrow categorical approach. Detailed eligibility requirements for many categorical programs create red tape, excessive administrative overhead, massive federal bureaucracy, and a nearly impossible problem in coordinating and integrating programs.

Historically, city and county officials have not thought in terms of human services, but in terms of roads, parks, streets, police protection, fire protection, etc. Unless broad funding categories are defined at the federal level, priorities will be out of balance at the local level.

Between the present abused and unworkable restrictive program and open revenue sharing, there is a responsible and well balanced approach for Congress.

Congress should not respond legislatively to the categorical problems of individuals which are infinite in their variety, but to the much broader categorical needs of states and communities. We, as a State, need funds for human services and economic development. How we organize them and who we include should be the state's prerogative.

APPENDIX

The following tables represent a partial analysis of the impact of the President's proposed budget and impoundments on the various Departments of the State of Arkansas. While the figures are constantly changing, the implications are obvious as the priorities and catagories where reductions occur are analyzed.

POLLUTION CONTROL AND ECOLOGY—BUDGET

Program	Fiscal year 1973 (national)	Fiscal year 1974 (national)	Percent change
1. Sec. 106(a): Grants for pollution control programs	$60,000,000	$75,000,000	+25
2. Title II: Treatment works grants	5,000,000,000	6,000,000,000	+20

POLLUTION CONTROL AND ECOLOGY—IMPOUNDMENTS, FISCAL YEAR 1973

Programs	State share authorized	State share released	loss
1. Sec. 106(a): Grants for pollution control programs	$600,000	$228,200	−$371,800
2. Title II: Treatment works grants	17,500,000	7,000,000	−10,500

EDUCATION—BUDGET

	1973	1974	Percent change
1. Title I, ESEA:			
(a) Aid to LEA's children of low-income families	$20,852,899	(1)	
(b) Aid to State agencies:			
(1) Handicapped:			
(a) School for blind	61,049	[1] $47,043	−22
(b) School for deaf	109,681	[1] 89,301	−18
(c) State hospital	17,590	[1] 14,600	−12
(d) Department of Mental Retardation	479,770	[1] 379,599	−25
(e) University Medical Center	1,918	[1] 1,400	−26
(f) Department of Social and Rehabilitation Services	66,568	[1] 47,870	−29
(g) Easter Seal	14,486	[1] 10,638	−28
(2) Juvenile services	202,807	[1] 169,364	−16
(c) Special grants for urban and rural schools	555,693	(1)	
(d) Aid to LEA's children of migratory agricultural workers	553,837	(1)	
(e) State administration	225,000	(1)	

EDUCATION—BUDGET—Continued

	1973	1974	Percent change
2. Title II, ESEA:			
(a) Aid to school libraries	$757,949	$0	100
(b) State administration	50,000	0	100
3. Title III, ESEA:			
(a) State programs	1,134,158	1,134,158	0
(b) State administration	150,000	150,000	0
4. Follow through (EOA):			
(a) State technical assistance	42,176	41,000	−2
(b) Planning grant	50,000		
5. Migrant studend record transfer section	1,818,542	1,855,270	
6. Title V, ESEA:			
Pt. A (strengthening State departments of education)	427,024	0	100
Pt. C (planning and evaluation)	48,000	0	100
7. Title VI, ESEA—Education for the handicapped:			
(a) State grant program	372,783	[1] 372,783	0
(b) Special education and manpower development, pt. D, secs. 631 and 632	87,787	87,787	100
8. NDEA, title III:			
(a) Equipment and minor remodeling (LEA's)	0	0	100
(b) State administrative costs	[2] 13,815	0	100
9. Grants to public libraries	426,333	0	100
10. EPDA State grants, pt. 2		0	100
11. EPDA, pt. D, career opportunity programs	10,000	11,000	
12. Vocational education	[3] 5,267,109	[4] ERS	
13. Adult education	785,866	[5] 785,866	0
14. Manpower Development and Training Act	1,988,165	2,265,199	+12
15. Approving agency for veterans	114,172	137,859	+16
16. Civil defense—Adult education	48,972	51,323	+5
17. School for the blind:			
(a) Title 1, ESEA assistance	61,049	[6] 47,043	−22
(b) Vocational education assistance	10,361	[7] 10,325	
(c) Deaf-blind centers, EHA, pt. C	29,527	56,218	+48
18. School for the deaf:			
(a) Title 1, ESEA assistance	109,681	[6] 89,301	−18
(b) Vocational education assistance	90,000	[7] 100,000	+10
Total	35,046,602	5,689,748	[8] −80

[1] ERS.
[2] For 1st three quarters of fiscal year 1973.
[3] Total based on annual allotment in line with amounts provided through continuing resolution for 1st ¾ already received. Of the amount, it is anticipated that $1,924,442 will be applied to expenditures at the 14 postsecondary vocational-technical schools (GHF and FVT funds).
[4] This is based on information available from the National Council of Chief State School Officers, Feb. 10, 1973. It reflects the President's recommendation and assumed that ERS will allot funds to States on basis of previous vocational education formula (this may not be a valid assumption).
[5] ERS.
[6] As estimated by title I, Administrator in Department of Education.
[7] Included in item 12, pt. A for vocational education; $30,000,000 loss.
[8] Approximately.

EDUCATION—IMPOUNDMENTS

Programs	Fiscal year 1973 State share (approximate)	Fiscal year 1973 State share released	Loss
1. Library commission:			
(a) Library service (title I)	$535,902	$381,344	$154,558
(b) Construction (title II)	139,366	0	139,366
2. Vocational, technical, and adult education [1]			49,522

[1] Due to freeze on hiring, enrollments, etc.

DEPARTMENT OF FINANCE AND ADMINISTRATION—BUDGET

Program	Fiscal year 1973 (Arkansas)	Fiscal year 1974 (Arkansas)	Percent change
EEA [1]	$6,101,900	0	−100

[1] This includes funds for the Governor's office only. For complete funds see "Manpower."

FINANCE AND ADMINISTRATION—IMPOUNDMENTS

Program	State share authorized	State share released	Loss
EEA	$6,101,900	$5,667,978	$433,978

MANPOWER—BUDGET

Program	Fiscal year 1973 (Arkansas)	Fiscal year 1974 (Arkansas)	Percent change
1. Institutional:			
(a) MDTA	$1,620,024	(1)	
(b) CEP	751,685	(1)	
Total, institutional	2,371,709	$1,828,588	−22.9
2. On-the-job training:			
(a) JOBS (optional)	448,800	(1)	
(b) Public services careers	687,180	(1)	
(c) CEP	388,803		
Total, OJT	1,524,783	1,418,048	−77.0
3. Work-support programs:			
(a) NYC (In school/summer)	5,037,356	(1)	
(b) NYC (out of school)	1,987,894	(1)	
(c) Operation Mainstream	888,986	(1)	
(d) CEP	710,954	(1)	
(e) Public Service Careers	275,257	(1)	
Subtotal	8,900,447	7,787,891	−12.5
EEA (PEP)	9,477,468	5,004,103	−47.2
Total, work support	18,377,915	12,791,994	
Total	23,374,514	17,100,010	

[1] Manpower revenue sharing.

FISCAL YEAR 1974 FEDERAL BUDGET INFORMATION

Program, OEO eliminated from fiscal year 1974 budget	Fiscal year 1973 national funding	Fiscal year 1974 proposed funding	Percent, increase or decrease	Designated agency to receive funds
Job development, Administration, Economic development, Cooperative support, General services, Neighborhood service centers, and general community programming, VISTA support, and Housing.[1]	$302,301,323	0	100-percent decrease.	Not available.
Senior opportunities/services [2]	9,337,295			AOA.
Legal aid	60,205,854	$71,500,000	20-percent increase	Legal Services Co.
Health, medical, and nutrition services	105,164,732	147,000,000	40-percent increase	HEW.
Emergency food and medical services	226,842	0		Not available.
College student coordination	217,679	0		Do.

[1] All programs which were funded by local Community Action agencies, using local initiative or versatile funds. Programs were designed and funded locally, based on local decision. Funded from: Community Action funds.

[2] The administration suggested that appropriations for AOA programs for the aging (nearly $200,000,000 for title III services and title VII nutrition) could be used, at the option of local and State governments to continue SOS programs.

Note: Title III-B, EOA of 1964 and amendments—1973 funds, $37,173,123; proposed 1974 funds, $40,000,000.—Moved to Department of Labor, Arkansas' share,1972,—$483,000; 1973 share, $476,000—1974, Unknown.

Manpower—Impoundment

Program:

	Loss
A. MANPOWER COUNCIL:	
1. JOBS regular	$406, 278
2. MDTA (RAR) (JOPS) (sec. 241)	44, 220
3. Public service careers—Plan A	192, 735
4. MDTA (RAR) (sec. 241)	316, 731
5. NYC—In school	7, 164
6. NYC—Out of school	41, 541
7. National contractors:	
a. Arkansas council of Farm Workers	127, 000
B. ESD:	
8. Rural concentrated employment program	722, 597
9. NABS–JOBS	247, 244
10. MDTA (sec. 231)	371, 750
11. MDTA (sec. 241)	250, 000
12. JOBS optional program	283, 593
C. MISCELLANEOUS:	
13. NYC State Parks projects	19, 968
Total	3, 030, 830

Department of Labor to be funded 1974—$1.40 billion—Two program division

1. State and local—$950 million:
   MDTA
   WIN
   CEP
   PSC
   JOPS
   NYC i/s, s, o/s
   Mainstream
2. National program—$450 million:
   Job Corps
   Jobs
   R. & D.
   Migrants

EEA is not included in 1974 budget.

Office of Economic Opportunity—Impoundments

PROGRAM	Loss
State Office Administration	283, 593

HEALTH—BUDGET

Program	Fiscal year 1973 (Arkansas)	Fiscal year 1974 (Arkansas)	Percent change
1. Communicable diseases	$577, 119	$309, 655	—40
2. Public health education, consumer health education program	35, 000	0	—100
3. Engineering:			
(a) EEA personnel	172, 712	0	—100
(b) Food protection services reporting program	150, 000	0	—100
(c) Vector control—Surveys or assistance to cities	50, 000	0	—100
4. Hill-Burton hospital construction grants, loans and loan guarantees	[1] 8, 000, 000	0	—100
5. Community mental health centers construction program	[1] 200, 000	0	—100
	9, 184, 831	309, 655	
Total loss	8, 875, 176		

[1] Approximate.

Health—Impoundments

Program:

	Loss
1. Community mental health construction program	$163, 258
2. Hill Burton Hospital construction [1]	$7, 000, 000

[1] A continuing level law passed by Congress was vetoed by the President. This contained fiscal year 1973 appropriations.

Commerce—Impoundments

Programs: *Loss*

1. Forestry commission—Cooperative fire control funds[1] $110,000

[1] A program act for fiscal year 1973 rather than an impoundment.

PLANNING—BUDGET

Program	Fiscal year— 1937	1974	Percent change
1. Land and water conservation funds	$2,147,976	$500,000	−76
2. HUD 701 funds	[1] 100,000,000	[1] 110,000,000	+10
3. HUD title VIII	28,000	0	−100
4. Comprehensive health planning	112,000	100,800	−10
5. Grants to State and local governments for outdoor recreation projects	2,100,000	450,000	−79
6. State arts and humanities programs	120,250	150,000	+19
7. Economic development programs:			
(a) Public works and grants	3,500,000	0	−100
(b) Planning assistance grants	460,000	0	−100
(c) Public works impact projects	1,800,000	0	−100
Total EDA	5,760,000		
Total	[2] 10,268,226	1,280,800	
	Loss 9,067,426		

[1] National. [2] Minus sec. 701 funds.

Planning—Impoundments

Programs: *Loss*

1. Farmers Home Administration .... [1] $61,178,240
2. Comprehensive health planning 28,800

Total $61,207,040

[1] 18 month moratorium.

HIGHER EDUCATION—BUDGET

Program	Arkansas, fiscal years— 1973	1974	Percent change
1. Library resource grants	$87,363	0	−100.0
2. Instructional equipment	84,213	0	−100.0
3. Land grant institutions support	184,672	$57,248	−69.0
4. Community services	172,072	0	−100.0
5. Water resources research	190,000	152,950	−19.5
6. Nursing capitation grants	76,326	0	−100.0
7. Agricultural research	257,000	207,000	−19.4
8. Student assistance:			
(a) Nursing loans	138,939	69,485	−50.0
(b) Nursing scholarships	111,371	55,685	−50.0
(c) Equal opportunity grants and direct student loans	(1)	(1)	(1)
9. Construction	(2)	(2)	(2)
10. Medical center	(3)	(3)	(3)

[1] One of the largest areas of change is in student assistance programs. The equal opportunity grants (EOG) and direct student loan (NDSL) funds have been eliminated for the 1974 fiscal year. In their place, however, are to be substituted a program of basic opportunity grants (BOG) and increased funds for interest on guaranteed student loans secured at banks and other sources. The NDSL funds amounted to well over $1,500,000 in fiscal 1973 and the EOG funds were over $1,000,000. The BOG funds could replace the EOG funds and, if lending sources in-State can be located to provide the capital, the guaranteed loans could replace the NDSL funds. There have been instances in the past, however, where students have had some difficulty in locating a lending institution for a guaranteed loan.

[2] The President's budget includes no money for construction grants and funds for new interest subsidy grants also appear to have been eliminated. Since it is not known definitely how much construction would be done under this program, the exact cost is difficult to project. Act 103 of 1973 authorizes new community colleges in Arkansas. Assuming that 5 new colleges were established, the loss of the interest subsidy grants would amount to over $300,000 to the State and the amount could run as high as $14,000,000 when considering the loss of construction grants once thought possible but now very questionable.

[3] It appears that the loss in Federal funds for support of programs could easily exceed $2,800,000 in fiscal year 1974. The information is somewhat sketchy due to several programs being couched within larger subcategories in the President's budget and the possibility that guidelines might place a heavier emphasis on 1 subcategory than another.

Higher Education—Impoundments

Programs:	Loss
1. Bankhead-Jones	$171,063
2. McIntyre-Stennis	43,950
3. Special Extension for Nutrition	62,057
4. Water Resources Research	40,000
5. Medical Center-General Research Support	60,000
Total	377,043

Highway—Impoundments

Program:	Loss
1. Forest highway funds	$790,299

SRS—Impoundments

Programs:	Loss
1. Public service careers	$18,000
2. Arkansas alcohol abuse program:	
A. Central Arkansas	50,000
B. Texarkana	50,000
C. Southeast Arkansas Mental Health Center	199,780

Prepared Statement of Governor Jimmy Carter of Georgia

Mr. Chairman and members of the Subcommittee on Intergovernmental Relations.

I have already submitted to the Committee as written testimony a copy of a speech which I made recently to the National Press Club concerning developing problems with state-federal relationships. But there are several additional points which should be emphasized:

First of all let it be made clear that most of our people favor a federal budget either in balance or with a total figure designed for optimum effect on our nation's economy.

My choice would be a balanced budget.

Since the method of preparing the federal budget is part of the problem, a suggestion may be in order. The first step in the process should be to establish the overall budget amount with mutual agreement between the President and Congressional leaders.

There might also be a prior legal agreement serving as a restraint on Congress that any funds apropriated in excess of this total figure could be reduced by the President in a prescribed manner, but no program should be cut more than perhaps 10%. The meat-ax approach which has been adopted this year is an open admission of inability to determine which parts of programs are effective and which are not.

Any other so-called impoundment of funds should be eliminated except as specifically authorized in advance by Congress in the apropriate legislation.

A state lawsuit against the federal government, with the consent of Congress, should be initiated immediately to let the Supreme Court (which would have original jurisdiction) decide without delay whether or not the President has a right to impound appropriated funds in direct contravention of the expressed will of Congress. The State of Georgia is considering initiating such a lawsuit.

Commitments to state and local governments on which their financing and program plans are based should never be abruptly terminated except in a national emergency and then after thorough discussions with the state and local officials.

I believe that tax reform is needed to insure fairness and perhaps to permit a balanced budget. Since 1968 an already existing imbalance has been aggravated by subtracting about $20 billion from corporate and personal income tax and by adding about $25 billion to the payroll tax, primarily on the first $10,800 of earned income for soical security payments.

Since revenue sharing has resulted in a shift of financing burdens from the federal government to those within the states, tax inequities have been increased. In general this represents a shift in taxation from the progressive income tax to the more regressive sales tax and property tax.

Another great need is to remove the shroud of secrecy from around the government leaders in Washington. There should be reestablished some means for governors and other officials to communicate easily with those in the federal Executive Branch who actually make decisions. In some instances it seems that the Cabinet Officers have become figure heads and have little decision-making authority.

Another handicap to state-federal harmony is that there is no definition of national goals which even if unilaterally expressed by the Administration would tend to encourage cooperative effort by the Congress and by different levels of government.

In spite of the lip service being paid to "New Federalism," local and state influence is actually being reduced because major decisions are made without consultation (and sometimes even in secret) and what flexible local funds exist must now be used along with revenue sharing funds to finance important categorical programs which no longer have the support of the Administration.

In the entire process the poor and afflicted are the losers because tax loads are shifted to them and categorical programs designed for them are being eliminated.

We all recall the promises made prior to the enactment of general revenue sharing that it would be "new funds without requiring transfers from existing Federal programs." We remember promises that "the money will be in addition to existing programs. Each [State, city, and county] will receive revenue sharing money in addition to any benefits, services, or money it is now obtaining from the Federal Government." These promises appear to me to have been broken—and now top Administration officials, as recently as this past Sunday, are denying on nationwide T.V. that the promises were ever made.

Mechanisms for encouraging interstate cooperation, regional planning and innovative government action are being abolished. For instance, there is no money in the President's proposed budget to continue the operation of the recently established and very important Title V Commissions.

All in all, Mr. Chairman, I am very much concerned about the breakdown in intergovernmental cooperation and in the commensurate weakening of our system of Federalism.

The essence of the problem is governmental secrecy which results in abrupt and unilateral decisions at the federal level. State and local officials are jerked and snatched to and fro in a gigantic game of "crack the whip." What has developed as a serious enough problem in Washington has often caused chaos in state and local planning and budgeting.

I hope that this Committee and the Congress will do what it can to afford mayors, governors and other concerned citizens a chance to speak for our people on future proposals—such as special revenue sharing. Perhaps what is needed in this particular instance is a special committee authorized by Congress and made up of officials from all branches and levels of government (as well as from private groups) to study the categorical grant system and make recommendations to the Congress on what programs, if any, could profitably be collapsed into special revenue sharing proposals.

We want to be partners again in a responsive and responsible system of government and we hope that you and the Congress can help us.

Prepared Statement of Governor Daniel J. Evans, of Washington

Introductory Statement

I appreciate being invited here today by the Committee and to have this opportunity to present testimony on a subject which I feel is of utmost importance to the success of state and local government administration. My concerns regarding the present and future state of federal and local governmental relationships are common among many other state and local officials in the State of Washington. Therefore, I feel that I speak for many of them as well as myself here today.

Relationships between federal government officials and state and local officials have deteriorated to the point where basic structural changes will have to be introduced if we are to succeed in our prime task, that of supplying the citizens of our country with the government services they require. Federal Government

has become too big and inflexible to effectively consider the needs of local communities and their citizens and the state and local governments just do not have the fiscal resource flexibility to accomplish these tasks. The time is long overdue for serious consideration of these basic structural problems. I do support enthusiastically the concept and policies of President Nixon's philosophy of New Federalism, because I believe the implementation of this philosophy will result in more effective and responsive services to the citizens of our country.

State and local frustrations in Washington State with the present intergovernmental relationships result from the same fundamental problems of dealing with the Federal bureaucracies as are experienced by public officials in other areas of the country. Many of our current problems and future challenges are unique to our area and our priorities differ from other states. The development of the State of Washington is still in its formative stage and the citizens have a "once-in-a-lifetime" opportunity to plan and coordinate state growth that will assure a quality of life for future citizens. Inadequate planning, continued confusion and/or the warping of state, local and federal priorities could endanger this opportunity.

The overwhelming majority of state and local officials and many private citizens that I have had the opportunity to talk to during the recent election campaign are extremely concerned that the Federal Government has grown too large. Some 40 years ago expenditures of state and local governments were more than three times those of the Federal Government. Today this pattern has reversed, with the Federal Government spending in excess of the total of both the state and local governments. Many frustrated public administrators believe that federal resources could be better allocated if they were planned and managed by state and local governmental units themselves and this, I am sure, is echoed by a large segment of public opnion.

I hope, in the next few minutes, to focus upon what I believe to be major immediate problems, to provide some examples of our frustrations in dealing with these problems, and to very briefly discuss some proposed solutions.

President Nixon has introduced several proposal to Congress that would begin to implement the policies formulated upon the concept of "New Federalism." Very briefly, these are: proposals to reorganize and consolidate several major departments; decentralize federal governmental decision-making by the organization of ten federal regional councils; and the general special revenue sharing programs.

It is this last component, special revenue sharing, that I would like to address at this time.

THE CATEGORICAL GRANT

During the late 1960's in the State of Washington, it became increasingly apparent that the requirements for public service were outgrowing the fiscal resources available to provide the services. Thousands of people were induced to migrate into our state by a highly accelerated local economy. Many new public facilities and increased services were required in a vastly shorter timeframe than originally planned. However, our state and local tax structure, based primarily upon, and constitutionally limited to, property and sales taxes, could not produce the revenue growth required to keep pace with our increasing need for services. The fiscal problems of both our state and local governments were intensified by the very nature of the tax structure. The majority of the burden fell upon the low and modest income citizens of our state. In contrast, federal tax revenues, based primarily upon a progressive income tax structure, increased at a much faster rate and automatically grew as the national economy expanded.

Congress recognized this widening gap between the demand for local services and the revenues available as a national trend at a much earlier date and introduced the concept of federal grant-in-aid programs. In 1957 categorical or specific purpose grant-in-aid programs developed to provide fiscal resources to state and local governments totaled $3.8 billion. At the present time, there are over 1,000 individual categorical grant programs distributing over $40.0 billion in federal grants each year.

This uncoordinated proliferation of grant programs has created a highly complex and frustrating administrative nightmare, with which our local officials have to cope. Each grant program has been independently enacted with a specific national purpose in mind, has its own allocation and matching funds formulas, and includes a multitude of regulations, organizational requirements and pro-

gram planning, management and audit instructions. Yet, in spite of these rigid and inflexible procedures, the real needs of our citizens have not been met and we at the state and local government levels are confronted with a vast, complicated and expensive administrative bureauracy.

The expense of this redundant and unnecessary administrative activity associated with categorical grant program management was vividly demonstrated to me recently. Our state budget office advised me that on a recent Housing and Urban Development project, amounting to $1 million, the cost of only the preparation of the proposal, including the necessary applications, and the administration of the contract would amount to $30,000. At the same time, they also advised me that on a recent Law and Justice grant for $10 million, but comparable costs for the same activities amounted to $30,000.

This accounting, which encompassed only a small portion of the costs of administering a categorical grant program, indicates that a tenfold reduction in administrative costs could be achieved by including more funds in special revenue sharing programs.

RECENT EVENTS IN THE STATE OF WASHINGTON

A classic example of the failure of the present federal systems to respond to local needs can be illustrated by recent events in the State of Washington. Early in 1970 layoffs by our largest industrial employer began to signal a serious downturn in our state's economy. There were indications that we could expect thousands of additional persons to be unemployed for extended periods of time, and it became obvious that our priorities had to be realigned in a very short order. Our priorities had been ordered for the highly accelerating economy which we had been experiencing during the preceding three years. An immediate re-direction was necessary to implement the specific emergency unemployment, public assistance and other human resource programs required to provide for the human needs of our citizens.

Both the state and local governments were faced with the immediate and severe losses of tax revenues and it became apparent that they could not respond alone to the crisis. It was obvious that help would be required from the Federal Government and that large amounts of aid would be required to provide emergency income maintenance, social services and the impetus to economic development necessary to initiate a recovery.

The onerous task of soliciting for federal funds during this period is now past history. After many, many trips to Washington, D.C. to confer with federal departments and our congressional representatives, it became apparent that the typical federal grant-in-aid program was too inflexible to respond to the needs of our particular crisis.

As a result of considerable and extended efforts by myself and other state officials, local officials, private citizens and the members of our congressional delegation, Congress did enact legislation providing for emergency employment, and unemployment compensation in crisis areas throughout the country.

One particular item which received considerable national and international publicity was associated with the Department of Agriculture's food stamp program. The Department's regulations provide for the distribution of food stamps to low income families regardless of whether they were able to qualify for state public assistance. However, during July 1971, *at the depth of our decline*, the Department revised its food stamp regulations which resulted in a significant portion of the approximately 26,000 families receiving food stamps, but not receiving public assistance, to become ineligible due to increased income eligibility standards. In addition, the food stamp program as designed, was for short term emergency use only.

On still another front, attempts by local officials, our congressional delegation and private citizens to persuade USDA administrators to temporarily modify regulations in order to allow for the distribution of surplus agricultural commodities within the state proved embarrassing to all concerned. During our prolonged negotiations with the USDA, the citizens of Japan proceeded to donate a shipload of food to our citizens. Needless to say, that not long after this incident had received considerable national publicity, the USDA did make a decision to allow the simultaneous use of surplus commodities and food stamps within our state.

Many similar situations, occurring during this period, can be used to illustrate our frustrations in establishing local priorities and urging federal departments

to respond to the crisis without having the proper mechanisms established to do so. However, I would like to proceed with a few examples of our present problems of working with categorical grant programs which we believe to be of equal importance.

In addition to the problems connected with the establishment of broad state priorities, are the day-to-day frustrations concerned with detailed program planning and management. Detailed program regulations constantly multiply, disappear and modify in response to everchanging administration and congressional thrusts. Because of the magnitude of programs relative to the various governmental functions and services, state and local agency planners and administrators are rarely finished evaluating and implementing the regulation when another is issued.

MEAT AND POULTRY INSPECTION

A specific example of federal over-regulation of a categorical grant program is our recent experiences relative to USDA's regulations and procedures concerning the federal meat inspection program.

Present requirements provide for state financial participation in federal meat inspection program on a 50-50 matching basis. The United States Department of Agriculture manages this program from Washington, D.C. through our state Department of Agriculture. All program regulations have been developed by USDA for uniform application throughout the country. The regulations are highly structured, rigid, arbitrary, and provide little flexibility to state administrators. State administrators did not contribute to the development of the detail regulations but are charged with the responsibility of their day-to-day application.

USDA regulations provide a multitude of program guidelines, inspector qualifications and training procedures, inspection standards, regulations concerning who will be inspected, designate where and how the inspections will take place, and set forth detailed reporting procedures.

An attitude has developed among state program administrators, inspectors and producers that, I am sure, will interest the committee. Dissatisfaction and distrust of federal bureaucrats has become more increasingly evident as a result of this type of over-regulation and centralized management. State program administrators and inspectors who have to cope with the day-to-day inspection problems, bear the brunt of expressions of this dissatisfaction. Since the federal regulations have been imposed upon the states, state officials have recommended to USDA that the legislation be amended to modify the matching requirements to provide for an 80–20 matching ratio. This recommendation has not been accepted by USDA and the Department has indicated that it is a state program and that a 50-50 matching ratio is favorable to the state. At the present time, state relationships with USDA relative to the meat inspection program have deteriorated to a level where we feel that the Department should be given the opportunity to fund, regulate and manage *their* program one hundred percent.

Now, the original intent of the federal meat inspection legislation was to provide strong, uniform quality control over United States meat production. Poultry inspection was recently added to the legislation and fish and other seafood will probably be next.

I believe that it is in the best public interest to protect our citizens from disease and poor quality meat and poultry products. We have had an excellent inspection program in our state for years. However, I feel that the need to comply with regulations and procedures that were designed for the most part to regulate large meat producers and packers in the mid-west is not necessarily the most effective method to regulate meat production in the State of Washington.

Some confidence must be displayed by USDA and other federal agencies in our ability to design and administer programs. Broad program guidelines and standards could be issued by the federal departments. The states should be allowed to participate in the programs by developing detailed regulations and standards which would be approved for compliance by USDA.

THE MATTER OF SOCIAL SERVICES

One additional item that I would like to address at this time is the manner in which the Federal Government has provided for social welfare services. Specifically, my comments are directed toward the social services component of the Social Security Act.

In the late 1950's the original Social Security Act was amended to provide social services to those persons in need of public welfare. The broadening and expansion of this provision during recent years is a classic example of federal incrementalism. The federal Department of Health, Education and Welfare was organized to facilitate and enable the implementation of this legislation and to institutionalize its growth and development. Federal funds were channeled through the Department of Health, Education and Welfare to state governments based upon, in most cases, a 50-50 federal-state government matching ratio.

By the mid-1960's, social service eligibility requirements were broadened to include not only present welfare recipients, but those individuals who had previously received welfare or were most likely to become eligible in the future. In some specialized situations, federal requirements permitted matching funds to be allocated to private institutions outside the jurisdiction of state governments.

State governments were lead into the undesirable situation of seeking one categorical grant program after another to obtain needed funds for these expanded federal programs. The purpose, rules and regulations of many of these programs were not completely understood by local level administrators and were not always carried out in the manner intended by Congress. During recent years, state expenditures in the human resources area have doubled and tripled, yet little has been accomplished to meet the real needs of our disadvantaged and handicapped citizens. State priorities have been warped and its tax revenue structure and fiscal management abilities strained to provide the state matching funds.

Both Congress and the Federal Administration, in recognition of these problems, in 1972 placed a lid on spending for social services. The once federally encouraged expansion followed immediately by the imposition of a severe expenditure ceiling and a still lower recommended budget level will result in the lay-off of personnel and the termination of services to the poor, who are at this point, simply bewildered by the change in direction, and becoming increasingly distrustful of their government. The full impact of this major thrust and subsequent contraction in services to the disadvantaged will not be understood for many years.

One last illustration of the problems encountered by both state and federal governments in specific grant program management relates to specialized library services. An amendment to the social services title of the Social Security Act provides for a program of specialized library services to minority and disadvantaged persons. Our State Library was strongly encouraged to apply for funds and to implement a program for the State of Washington. After many months of negotiations between federal and state officials, the contract, an organization plan and a program plan were approved. Again, after many months of negotiations between our State Library and the local libraries participating in the program, contracts were approved to initiate the service.

While we did have some difficult dealing with the federal regulation which stipulated that the eligibility of each minority or handicapped individual participating in the program had to be established, ultimately this problem was finally cleared up and the services were about to begin when Congress placed a lid on social services funding and the program had to be cancelled.

On this effort relatively large amounts of money have been expended on a vast amount of planning and paper work and a great number of minority and disadvantaged citizens have been disillusioned by government.

INCREASED CITIZEN INVOLVEMENT

The fundamental issue in each of the problems I have cited is embodied in both the general and special revenue sharing concept.

Who can best respond to the needs of our citizens?

Congress has expressed concern as to whether or not local officials would really spend the revenue sharing funds on the kind of programs and in a manner that would achieve the necessary results. Congress has further questioned whether local officials, who have difficulty responding to or overcoming local pressures can effectively meet the needs of local citizens. It has also been assumed that Congress, because it is removed from local pressures, can be more responsive to these needs. Perhaps the reason for these concerns and corollary assumptions were true in past times, but times have changed and the state and local governments

have changed. They have become more responsive to the needs of their communities while Congress, because of its distance from local problems, has become less responsive to these issues.

Today we have reached a point in representative government that radically differs from the government that existed a short decade ago. State legislatures across this country have been redistricted to provide far greater representation of the people. We now have a broader participation in the election of our state and local officials. Our young citizens now have a chance to vote and participate in state and local decision-making. The use of modern communication techniques have increased public awareness of critical issues thus giving these citizens a greater opportunity for direct input into the governmental decision-making process.

As I have talked to Governors and other public officials in other states, I find that the explosive increase in the number of citizens who express their views to their state representatives or visit their state capitol is not a unique phenomenon in the State of Washington.

A striking example of this desire to participate in government recently occurred at our state capitol in Olympia. Almost 1,000 people from the small town of Snohomish came to Olympia, not to protest, but to express their concern over the need to reform our state tax system. These people, who made up over one-half the population of the town, were concerned with the level of state support to local education. Businesses were closed in Snohomish and schools were let out so that school children could participate and express their views on this critically important issue of school finance.

It could be true that at one time the state and local governments were unrepresentative and unresponsive to the people and that Congressional action was necessary simply to get programs initiated and insure that the necessary improvement did take place.

Times have changed and it is now at the state and local government level where our citizens can and do provide a direct input into the operation of government. This is something they have not been able to do at the Federal Government level because all too often the only testimony heard in Congress is not from the general public who are involved in the issues, but from powerful special interest groups organized and financed to lobby for their particular solutions to local problems.

A CHANGE IN CONGRESSIONAL ATTITUDE IS REQUIRED

I believe that one of the most serious obstacles standing in the way of basic programatic changes is the attitude of federal representatives. Over the years they have grown distrustful of state and local governments. This lack of trust manifests itself in a no-confidence attitude toward the capabilities of local citizens to run their own affairs. By an equal measure, the practice of returning public funds to the people who earned them through using arbitrary and restrictive techniques has resulted in a growing distrust among our citizens toward all levels of government.

Our citizens are developing a high level of insight into governmental administration and its problems. Techniques are being developed to enable citizens to become aware and therefore, more involved in government. In a real sense, TIMES HAVE CHANGED, and Federal Government representatives must become aware of the significance of this growing change and develop new means of restoring public confidence in government.

I believe the general and special revenue sharing proposals of the President are an important first step in restoring public confidence in government. The State of Washington has shared revenues with local governmental units for years. Our State budget for the 1973–75 biennium includes state-collected revenues that are shared with local school districts, cities and counties which total in excess of \$1 billion. This has been our practice for approximately 40 years. Included within this sum are amounts which will represent 24 to 28 percent of city and county general purpose funds and few strings are attached to the expenditure of these funds. The amounts shared are derived from a number of tax revenue sources that were designed to share revenues. The cities and counties share liquor, motor vehicle, excise, motor vehicle fuel, public utility tax revenues and profits, fines and fees from liquor sales, recreational vehicle registrations and revenue resulting from the leasing of state lands.

At the local governmental level, highly trained professional administrators and part-time citizen officials working with involved citizens set goals and priori-

ties, plan programs, develop detailed budgets, allocate and administer funds. Very often projects are not approved (as for example Seattle's 1970 Mass Transit Proposal) or scrapped by the citizens when it has been determined that they are too expensive or ineffective (as for example Seattle's R. H. Thompson Expressway).

It is my opinion that many very capable individuals have entered state and local government service during recent years. The recent recession in the State of Washington introduced new highly qualified individuals into government service and special effort has been under way during my entire administration to encourage inividuals from private commerce and industry to join government. Management techniques and skills developed by the private sector are being introduced into governmental administration to an increasing degree.

We have consolidated many state agencies into a limited number of functional departments. Departmental procedures are being streamlined. State statutes are being reviewed and modernized, program procedures and instructions updated and simplified, and our communication lines with local citizens improved through the organization of a new Community Development Agency.

During recent elections, the voters of the state approved a Washington Future Program, authorizing the sale of $415 million in state capital investment bonds during the next six years. This program will be directed by a small staff, a one page set of guidelines, and a two page application form. However, we anticipate that one of our major problems will be concerned with the application for, and administration of, the necessary federal matching funds.

SPECIAL BLOCK GRANTS

Based upon the historical experience of our state, I believe a major step toward the elimination of the distrust, confusion, resentment and frustration between citizens and government and among the levels of government can be achieved through the use of the block grant concept of special revenue sharing.

The narrow targeting of categorical programs is a formidable barrier to the coordination of resources to meet the needs of individual communities which differ across our state. The solution is simply to do away with the many narrow categories and to provide responsible state and local authorities and citizens with the power to use federal money in ways they themselves devise. Special revenue sharing or block grants which merge functionaly related categorical programs into large accounts for flexible use by state and local officials would eliminate much of the terrible tangle of grant programs, which are a primary source of confusion and distrust.

The U.S. Department of Justice, Law and Justice Program is a commendable example of how special revenue sharing would work. The Department of Justice, Law Enforcement Assistance Administration, issues a series of program guidelines. The state, working with the local communities, develops a state law and justice plan. The plan is submitted to LEAA for approval. LEAA, in turn, allocates a block of funds to the state and the state distributes the funds to the local communities according to the plan. Administrative problems are resolved beween the state and local governments with a minimum of frustration. While there were a few initial procedural problems, the program by any measure must be considered successful and a specific example of how federal administrative cooperation with local government can be achieved.

CONCLUSION

I would like to restate my strong support of the concept of New Federalism and, in particular, the application of special block grants.

Categorical grants characterized by many over-lapping and duplicated programs, loss of efficiency and the misguided imposition of federal priorities on state and local communities have created a bureaucratic nightmare.

The countinued support of the categorical grant concept represents the continuation of the federal government's distrust in the capabilities of communities to manage their own affairs.

A willingness by Congress to join with the states in an enthusiastic adoption of the special revenue sharing programs will result in a significantly higher portion of each taxpayers dollar reaching the ultimate beneficiary of these programs.

PREPARED STATEMENT OF GOVERNOR KENNETH M. CURTIS OF MAINE

Senator Muskie and members of the committee, as one of the nation's Governors, I am extremely grateful to have this opportunity to appear before the subcommittee on intergovernmental relations, and I wish to thank you and each member of the subcommittee for inviting me to testify on the impact of the administration's proposals for a new federalism, and especially his recent budget proposals.

Barely a month has passed since the President revealed his federal budget proposals for fiscal year 1974 and his plans to reduce the FY 1973 budget by withholding funds already appropriated.

While the total picture of budget cuts, program transfers, program terminations and impounded funds is causing great confusion at the state and municipal level, the intent behind these actions is becoming quite clear. But I want to say at the outset that if the President's intent is to insist on the elimination of truly wasteful and unnecessary spending, I stand ready to support and assist him in his effort. If his intention is to find new and more efficient ways to deliver vital services to the people of this country, I enthusiastically support that effort too. But if the intent is simply to abolish a wide range of programs that, in Maine at least, have proven successful in meeting needs of the poor, the elderly, the sick and the disadvantaged, and in providing jobs, housing and education for those who won't find them without government help, then I want to register the strongest possible protest.

Assuming for a moment the intent is to continue the current federal commitment to these pressing needs, but in a new direction with greater dependence upon leadership at the state and municipal level, let me make the following points:

First, consideration must be given to the need for states and municipalities to plan and enact their budgets (for instance, the Maine legislature meets biennially.)

Second and most important is the source of funds to finance the state budget. In the current biennium, Maine's general fund budget is $422.5 million with an anticipated $265 million in federal funds, for a total general revenue program of $687.5 million.

The highway budget includes $133.6 million of state money with $61.8 million anticipated in federal funds.

In total, in fiscal year 1972 and 1973, the state of Maine budgeted an anticipated $331.2 million of federal programs, in addition to $653.1 million of State funds.

So, rightfully or wrongfully, it is easy to see how dependent the states have become on federal assistance.

It is hard, indeed, to see how a transition to new methods of delivering the same level of services involving billions of dollars and millions of Americans can be managed between now and the cutoff dates that have been identified.

Therefore, the suspicion grows that the main thrust of recent administrative actions is one of cutting, rather than redirecting.

At any rate, you have invited me to give information on specifically how this new federalism would affect Maine. Because the structure of federal aid at the state level is so complex, it is always difficult to convert a federal budget into state and local-level facts.

So, immediately after the budget message was released, I alerted state agencies to the urgent need to develop useable information and launched a cabinet-level effort to evaluate the President's cuts as to each Federal program in Maine. I would like to give the subcommittee a preliminary summary of the results of this effort. These basic facts have emerged:

Impoundments and FY 1974 budget cuts by the President will directly strike over 80 Federal programs in Maine and will indirectly affect many others.

The total loss in Federal dollar aid will approach $110 million counting impoundment of $58 million in water quality funds, but

Not counting the total value of public facility and housing construction estimated in Maine at over $118 million.

Or multiplier effects on Maine's economy.

Or losses for years after FY 1974.

If we allow for these additional factors, the $110 million figure I have used becomes only a small fraction of the full loss to Maine. For example, last year $50 million in new housing construction, about 50 percent of total new housing starts, was under Federal housing programs, yet the actual amount of Federal

subsidy was less than $4 million. In the Farmers Home Administration program alone, in fiscal year 1972 about $2.5 million in interest subsidy supported $25 million in housing loans for low income families.

Our State is predominately one of many small communities where Federal Housing programs are the only basic means for purchasing a home.

If Maine were a prosperous State, or even if the impact of this new Federalism were to be spread evenly across our population, I could be less concerned. But Maine is a State which can hardly afford to lose revenues of any kind. Over my term of office as governor, we have suffered chronic unemployment, currently running at 6.4 percent, continuing rural poverty, and a per capita income substantially below both the national and New England averages.

As in many other States and localities with economic problems, Federal aid has come to play an increasingly important part in providing essential public services in Maine. Total annual Federal outlays in Maine now approach $800 million, of which almost $200 million flows to State and local governments where it is mixed in with other State revenues. So, Federal aid not only supplies a vital percentage of the cost of public services, but it also has become an inseparable part of many of these services. This means that when Federal support is cut, the whole structure of State and local government is disrupted, and many more services and people are hurt than just those involved with the specific Federal programs.

Maine has a population of 1 million, and the minimum of $110 million we stand to lose over the next 18 months, translates mathematically into $110 for each Maine resident, or $275 for each Maine worker.

But, that is not a true picture of the way the President's economies will be felt because they are not directed evenly at the entire population. They are directed mainly at our poor, our elderly, our sick, our unemployed, our public schools and State university and our farmers. The $50 million in lost aid over and above water quality impoundments falls almost entirely in the areas of health, housing, educational and labor services to low and moderate income people as follows:

Health services	12.0
Housing subsidies	8.5
Public education	5.6
Labor programs	3.0
Other social services	10.0
Total	40.1

Dollar figures cannot adequately convey the loss in human terms. These program cuts could eliminate over 2,000 Maine jobs, but even more important is that additional thousands of Maine people, earning low and moderate incomes, will have diminished access to health care, decent housing, good education, job training, day care and other services.

Obviously, it is nonsense to suggest that losses on this order can be made up out of Maine's new federalism general revenue sharing allotment of $31 million per year which we understand was to be helpful in holding the line on spiraling property taxes or out of our $250 million state budget without major new taxes, especially when some 65 cents of every tax dollar collected in Maine goes to the Federal Government already.

Again, let me state we have every wish to cooperate with the Administration and the Congress in defining needs within our states and working together to meet them.

But, cooperation is impossible when massive changes are made in Federal programs with little or no notice or when we are left to puzzle out what is really happening to a program, while the cutoff deadline nears.

It is simply impossible to integrate state budgets and programs with appropriations and laws mandated by the Congress, if these laws can be rendered meaningless at any moment.

Senator Muskie, I know this is not the federalism congress intended, and I want especially to thank you and your committee for your understanding and efforts in behalf of local and State Governments.

Statement of Governor Milton J. Shapp of Pennsylvania

President Nixon's backward budget has encountered a great deal of criticism from state and local officials throughout the nation.

In Pennsylvania, there is great pressure at the grass roots protesting proposed budget cuts.

It is time to put this matter into perspective.

As Governor of the nation's third largest state—a state which contains within its borders all of the problems of the nation, from urban decay, decline in farm income to the breakdown of our national rail transit system—I feel that I can speak with some authority on the negative impact this budget is having on the lives of all our people.

Let me say at the outset that I share the feelings of deep concern about the problems of inflation and runaway government spending.

As evidence of this concern, I submit for your consideration my own State budget message of February 6th. This year in Pennsylvania I plan to hold down the increase in state spending to a 2.6% level, and provide an across the board tax cut of $157 million.

I am not suggesting the expenditure of more federal money, but I am suggesting that priorities within the budget reordered by Congress.

I am not suggesting that it is wrong to question the value of some federal programs, but I am suggesting that the elimination of the programs suggested by the President may not be in the best interest of the people of this nation.

Some programs may be suffering from bureaucratic red tape and bad administration, but I see little evidence that the Nixon Administration has addressed itself to the goal of streamlining the delivery of federal services.

When I was president of a large corporation and found weaknesses in the operation of my sales department, I did not call for the elimination of that department. Instead, I called for a re-evaluation of its structure and its method of operation in order to improve sales.

And when I became Governor, I called in 85 businessmen to review all operations of Pennsylvania's government to streamline operations and to improve delivery of needed services—not to devise ways of depriving people of government services.

Pennsylvania's Insurance Commissioner, Dr. Herbert Denenberg, has expressed my view quite succinctly with the statement that, "the federal bureaucracy is not a cliche, it is a disaster." He was referring in this instance to the massive amounts of red tape which envelop the Medicare and Medical Assistance Programs.

Unfortunately, the Nixon Administration answer to bureaucratic inefficiency is not to eliminate inefficiency but to eliminate the programs. The result will be neither a balanced budget nor a nation in reasonable social balance.

It's easy to use the hatchet.

It's much more challenging to use common sense and a scissors to cut the fat and to slash the red tape.

But, despite its close ties to the business community, there is little indication that the Nixon Administration is relying upon economic measures, modern business techniques and revised procedures to improve federal service.

The American people are indeed unhappy with government programs.

But their disillusionment is with the impersonality and inefficiency of the bureaucracy.

It is not necessarily with the value of the programs themselves as was illustrated graphically by the Harris Survey issued recently.

The American people, as the Harris Poll showed the other day, are not heartless. They do not want to put a greater share of the burden of medical care costs upon the overloaded backs of our senior citizens. The American people care about the elimination of poverty; they care about the education of their children; they care about people.

The President is reading the results of last year's election incorrectly. The American people voted no mandate to dismantle thirty years of social and economic progress.

The budget document illustrates a disturbing tendency on the part of the President to step back from major reforms which he himself initiated.

When Mr. Nixon introduced his welfare reform proposal the Family Assistance Plan, a few years ago, he called it the most important piece of domestic legislation in the nation's history.

Last year, still pushing for its passage, he budgeted $5 billion to get the program started.

This year, there is not a single dime earmarked for the Family Assistance Program.

The same is true of National Health Insurance.

Last year, the President set aside $1.1 billion to implement a National Health Insurance Program in the event it was passed by Congress.

Yet, in this year's budget, the amount budgeted for National Health Insurance is zero.

Since the President has failed to put the money where his mouth is, he cannot be very serious about his backing for either of these proposals. They are destined to die an early death unless Congress acts forcefully and enacts far more comprehensive proposals than those submitted initially by the Non Administration.

During the recent campaign, the President also promised to inaugurate a national system of local property tax relief. But his budget document doesn't contain a single reference to any such program which is a pretty clear indication of how serious the administration is about this campaign pledge. For that matter, he holds out no hope at this time for federal tax reform.

In cutting back the federal share of medical care payments, for our elderly citizens, the President is forcing them to pay an additional $1 billion in medical payments next year.

Congress last year provided $2.5 billion for social services for the poor, the aged and the young, but the budget outlays show only $1.8 billion. Worse, the administration is legislating by regulations almost impossible for the state to meet. The President extols the work ethic and castigates those on the dole, yet his programs will of necessity decrease day care for the children of working mothers and put more families on welfare.

Pennsylvania will lose $27 million for the operation of day care centers, thus eliminating 12,000 of the 14,500 families currently using this program.

And yet with all its visible defects, what we know about the President's budget is surpassed only by what we don't know.

We don't know, for example, what funds appropriated by Congress will be impounded for President Nixon has already impounded billions in previously appropriated funds.

We do not know when the President will veto an appropriation, for during 1972, he vetoed a number of programs for health services, veterans and the elderly and pocket vetoed a number of others at the end of the session.

We do not know when (if at all) he will introduce legislation to finance and operate a legal services corporation to replace the legal aid programs eliminated with the dismantling of OEO.

Under the circumstances, faced with such massive uncertainty in Washington, it is extremely difficult for any state or local government to plan accurately.

It is deceptive for administration officials to say that the states and local communities can make up for categorical cutbacks with general revenue sharing money.

General revenue sharing has proven to be a snare and a delusion.

In the first place, the states and local communities were specifically promised by the Nixon Administration that the passage of general revenue sharing would not jeopardize present programs.

Secondly, there are no strings to general revenue sharing.

Many communities are simply passing it on to the people in the form of a tax cut which spares them the necessity of economizing.

On the state level in Pennsylvania, we have proposed a Federal Revenue Sharing Trust Fund. The money is earmarked in my budget for highway maintenance, aid to local communities, services for the aging and education for the retarded.

Recently, I wrote to all county officials in Pennsylvania asking them to consider setting aside a share of their own federal revenue sharing in the event of serious cutbacks in federal assistance. Unfortunately, many county leaders, under the impression from the President that revenue sharing would represent new funds, not program replacement funds, have already proposed budgets and those budgets do not cushion against the federal cutbacks with revenue sharing.

It is not sufficient even to say that cutbacks can be made up with special revenue sharing funds.

For, as I have indicated, at this moment, we know very little about how special revenue sharing will work.

But we do know this. The President has already slashed his request for special revenue sharing in half. Last year, he requested more than $12 billion for six categories. This year, he requests $6 billion for four categories.

In Pennsylvania, we currently estimate that the Nixon budget will cause a net reduction of approximately $370 million in federal money on both the state and local levels.

I want to emphasize that this figure is tentative for we won't know for certain exactly what the impact will be until the President makes clear some of the tentative proposals in his document, particularly in regard to special revenue sharing.

And frankly, this is no way to run either a business or a government.

To summarize, the Nixon Administration proposes the dismantling of a vast array of federal programs which have become part of the nation's life during the past six administrations: those of Roosevelt, Truman, Eisenhower, Kennedy, Johnson and of Nixon's first term.

The President's budget represents nothing less than a massive step backward, just because he has failed to run government efficiently during his first term.

Faced with this proposal, our first line of defense must be the Congress.

Congress must begin to reassert its constitutional responsibility to control the purse strings and offer policy alternatives to the White House.

In that effort, I am sure that the leadership on Capitol Hill will have the enthusiastic support of the overwhelming majority of officials on the State and local levels.

And even better, Congress will have the support of the people.

Yes, federal programs have their problems. But there is an alternative to the meat axe approach of President Nixon and that alternative is to transform the federal bureaucracy into a genuine and responsive agent of service for all our people.

The President would do well to move in that direction rather than to set back the clock forty years, as well as for perhaps the next forty years.

The Nixon Administration talks about a new federalism. In practice, it is attacking the division of powers inherent in the Constitution and is leading toward a highly centralized presidential system of government.

It is hiding behind a label that claims to shift responsibility back to the states and local governments. This is mislabeling. It is seeking, through a highly centralized federal government, to shift the burden of taxation back to our hard pressed states and cities.

Above all, it is shortchanging the needy citizens of this nation of vital services needed for their well being. The Nixon proposals—if implemented—will create tensions within our society that will divide our people more deeply than at any time in the past century.

A NEW FEDERALISM

WEDNESDAY, FEBRUARY 28, 1973

U.S. SENATE,
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:10 a.m., in room 3302, Dirksen Senate Office Building, Senator Edmund S. Muskie (chairman of the subcommittee) presiding.

Present: Senator Muskie.

Also present: Alvin From, staff director; Jane S. Fenderson, counsel; James E. Hall, counsel; David E. Johnson, counsel; Lucinda T. Dennis, chief clerk; Maria P. Durelli, secretary, and Lorelei Williams, secretary.

Senator MUSKIE. The committee will be in order. I guess we must be in the eye of the storm today. It is a pleasure to welcome an old friend and a distinguished public servant and leader of labor, one of the new labor leaders, Jerry Wurf, president of the American Federation of State, County, and Municipal Employees.

I look forward to your testimony and invite you to take the witness stand, Jerry, and for the record, would you introduce the people with you on your staff?

STATEMENT OF JERRY WURF, PRESIDENT, STATE, COUNTY, AND MUNICIPAL EMPLOYEES; ACCOMPANIED BY DON WASSERMAN, RESEARCH AND COLLECTIVE BARGAINING EXPERT; PAUL MINARCHENKO, DIRECTOR OF LEGISLATIVE AFFAIRS; AND WILLIAM WELSH, ASSISTANT DEALING WITH POLITICAL AND LEGISLATIVE MATTERS

Mr. WURF. Senator, let me introduce Mr. Don Wasserman, who is our research and collective bargaining expert, and Mr. Paul Minarchenko, who is director of legislative affairs, and, on my right, is Mr. William Welsh, who is my assistant with regard to political and legislative matters.

Before I begin, Mr. Chairman, let me, without spending too much time, say how grateful I am, first, that this committee is addressing itself and you are addressing yourself to this terribly important matter of the impact of the President's 1974 budget. These hearings are another indication of my great feeling and confidence in your concern with the well-being of the American people, Mr. Chairman.

Let me begin with a—I hope—a few brief remarks with regard to the matters before this committee.

Senator MUSKIE. You have ample time.

Mr. WURF. Thank you.

It is the first time, Mr. Chairman, in all of these years in testifying on the Hill that a chairman has told me I have adequate time. I must admit that I have been treated very fairly and very courteously, but it has never been said quite that openly before.

Mr. Chairman, I welcome this opportunity to appear this morning as the Subcommittee on Intergovernmental Relations continues its hearings on the impact of the President's 1976 budget on State and local governments.

Let me add that although we have 600,000 dues-paying members, we have bargaining rights on behalf of 1,200,000 workers, and we hope one day that the Congress of the United States will get around to giving us the same measure of union security that exists in the private industry.

Senator MUSKIE. I think it is fair to say that yours is the fastest growing labor union at the present time.

Mr. WURF. It is not only the fastest growing but it is now among the very largest. Of the 114 or 115 unions, ours is among the top five. We are very grateful——

Senator MUSKIE. I have watched your progress with a great deal of interest, as you know.

Mr. WURF. The union I represent has 600,000 members who work for State and local government bodies, as well as nonprofit agencies and institutions. The membership of the union includes the employees of all kinds of health care institutions, from aides and orderlies to physicians. We have law enforcement personnel and sanitation men, welfare workers and road maintenance crews, librarians and food service workers, engineers and recreation department employees, architects and tolltakers and zookeepers—all of the people who perform the public services for State and local government.

We appear before you this morning to present in behalf of these people our views on the critical questions facing our system of federalism today.

The questions are not those of whether Government should provide for needed services, for that mandate is clearly established.

The questions facing the Congress are not those of saving cities or developing rural areas * * * nor of aiding one group of people more than another * * * nor of helping the poor as opposed to the nonpoor—although these are related matters.

The questions you are grappling with are those of providing for the people who elect you and pay the bill. These include the basic human services for which Government in the United States assumes responsibility—insuring public safety, caring for the ill and the aged and the weak, educating the young and the illiterate and the unskilled. * * *

As Walter Heller testified before this subcommittee last week, the public is not against Government spending. We will add testimony to that fact later in my statement.

The questions for Government are which services have priority? Who pays, and how much? Which level of Government provides the

service? Who sets the standards? How do we fulfill the obligation of Government to provide for the general welfare?

The responsibility of Government to the people of this Nation is clear. The issue today is how Government meets this responsibility.

Whatever a person's needs in the way of public services, he probably has a grievance. The people reasonably want: Simplified tax procedures and shorter waits for car license plates; faster ambulance response and lower hospital costs; better street lighting and an efficient judicial system; decent neighborhood schools and meaningful adult education; and safe places for the elderly to live.

The sad truth is that our basic public institutions are inadequate for their patients, inmates, clients and students.

This is true of our prisons, our schools, our hospitals, our buses and subways. Our public services simply do not measure up to reasonable standards.

We had great beginnings in the 1960's to deal with these matters. Some say those efforts were utopian and did not fulfill their promise. But, those initiatives of the 1960's were legitimate, visible, and concrete actions by the people's government to serve the people's needs. The programs illustrated responsiveness and demonstrated concern.

War caused inflation, more than bureaucracy was responsible for many of the shortcomings. The war seems to be over and done, and we can turn to the needs of people at home.

The welcome achievement of peace and substantive initiatives toward a program of worldwide détentes poses for Government questions focusing on the people problems at home. The President, in his budget messages, has opened a debate which may take on historic proportions. Seldom in our history has the executive branch so challenged the congressional authority.

The President's challenge raises three fundamental questions:

First, which branch of Government determines national priorities? The President has challenged the ability of Congress to exercise its constitutional fiscal and legislative powers.

Second, who is to pay? How do we most fairly levy taxes and how are those assessments most reasonably applied at each level of Government? The Congress is challenged to review the imbalance of the revenue code. In essence, the archaic structure of the Nation's fiscal systems puts the heaviest burden on those least able to pay and the lightest burden on those most able to pay.

Third, what level of government is best suited to determine the standards for public services? Who is to manage the programs? Will federally funded programs require equal protection? Will they be measured by fair national standards? Will they provide for accountability to the people?

The President seems neither prepared nor willing to negotiate with the Congress on these fundamental questions. He claims a mandate. He ignores the Congress. The President represents the authority of the executive branch of Government. Congress is and must remain the legislative branch.

The President claims the people want less spending for domestic programs. He has said, and I quote "Bigger Government is the wrong

way to meet our Nation's needs." The President's premise must be challenged.

I would like to submit for your record a memorandum prepared for our union by Mr. Albert H. Cantril,[1] a recognized expert and authority in interpreting public opinion. Mr. Cantril has been consultant to the Bureau of the Budget and to the National Academy of Science.

Mr. Cantril's conclusions with regard to the public's views on Federal expenditures hold one of the keys to how the Congress can effectively interpret and counter the President's budget strategy. Mr. Cantril's findings are based on recent polling data, some as recent as last month.

The Cantril study points out that in the 1972 Presidential campaign, when the voters rejected the Democratic nominee, they rejected a man not a program. There is clearly no "program" mandate for the winning Presidential candidate.

Second, the data shows the public's ambivalence on the proper role of the Federal Government. It is against Federal spending described as "welfare" or "paternalism." However, over half of the public more than favored increased Federal spending with respect to:

	Percent
Crime	77
Elderly-social security	74
Drugs and drug addicts	74
Clean up waterways-water pollution	64
Education of low-income children	62
Reduce air pollution	61
Make college education possible for young people who could not otherwise afford it	54
Medicaid to help low-income families pay their medical bills	52
Programs to rebuild rundown sections of our cities	51

Mr. Chairman, generally speaking, these statistics represent public support for public programs and, as I testified further, I will point out the sloganism that we are fighting against and not public hostility to the program.

Equally interesting are the responses to a question used to elicit views with regard to the most desirable way to redress tax burdens.

A significantly higher percentage of Americans felt the most important way to keep down the tax burden on the average taxpayer is to have corporations and wealthy persons pay a larger share rather than slow down Government spending.

There are several broad strategies the Congress can undertake to reassert its constitutional prerogatives.

When the President identified programs he supports for increased budget spending, he picked four of the top programs on the list—drugs, crime, health, and pollution. I do not fault the President on the selection of these domestic priorities. However, while funding slight increases in these programs he has made drastic cuts in virtually all other areas.

The Congress must not permit the debate to polarize around the simplistic question of cuts in Federal spending versus a tax increase. The Congress must illustrate in specific human terms the real impact and the human costs of the administration's budget. Then, public understanding can be effectively focused and the people mobilized.

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[1] See p. 462

Mr. Chairman, your exchange with Office of Management and Budget Director Ash over the closing of the mental health clinic in Maine is the kind of illustration that is required. When specific projects are placed in human terms, no President and no Director of the Office of Management and Budget can adequately justify the cutbacks with slogans or cliches.

The debate must be joined around those programs where the public is willing to support increased Federal expenditures. It is futile to debate about programs which clash head-on with the rhetoric of the "work ethic." The battle cannot be won with slogans of "save the cities," "war on poverty" and "welfare reform," but we can win the battle for the programs which are the substance of these slogans.

If we are to fund critical OEO programs, let it be to preserve health care and child care centers, not to save a piece of rhetoric called the "poverty program."

How can the Congress respond to the President's challenge?

1. Congress must establish its right to direct program appropriations and set funding levels without impoundment, as well as the right to approve any reallocation of appropriated funds.

I urge support for Senator Ervin's bill prohibiting the impounding of funds unless the proposal has been submitted to and ratified by the Congress. The failure of the President to comply with such a law could provide basis for clarifying the constitutional authority.

2. The taxing power of Congress, removed as it is from Presidential fiat, should be used to direct public policy through tax credits, tax incentives, revision of tax rates, and the establishment of financing mechanisms for new health and income security programs. This is Congress' responsibility. This power, coupled with effective tax reform, can be used to establish national priorities. The President has the right to veto. That is power enough.

3. The general revenue sharing law already enacted can be used to provide the incentives to reduce the inequities of individual property taxes and stimulate the reform of State and local tax systems. We urge the Congress to base entitlements of State and local governments on their willingness to reform outmoded tax structures.

4. The Congress should accept the fact that programs aiding State and local governments can be consolidated and redirected—and that this can be done in ways which will provide for the necessary protections and standards of performance.

As a matter of philosophy, our union and the rest of the labor movement has traditionally favored Federal aid provided within narrow federally determined categories, and with federally set standards. Last year, during the debate over general revenue sharing, our union concluded that new aid was desperately needed and not possible under the specific grant-in-aid approach. Therefore, we supported general revenue sharing and devoted our efforts to ensuring adequate protections and standards within that legislation. We think the legislation that passed needs many improvements, but we are persuaded that it effectively satisfied many of the legitimate and critical financial needs that existed.

We suggest that efforts in this Congress to preserve categorical grant-in-aid programs on a piecemeal basis may fail. More aid in

human resources programs is needed, and that need can be met in ways other than categorical grants. We urge that you explore these alternative means of delivering the money and sharply focus the issues on priorities and the level of spending—and not merely on preserving categorical grants. We believe that special revenue sharing and block grants can be acceptable alternatives. We are not tied to any one system of delivering aid. We believe that varying situations are deserving of varying responses.

The Congress can take leadership designing legislative packages that will focus public attention not on program titles or slogans, but on program priorities, standards, and funding levels. Here lie the issues of the 1970's.

5. The Congress can finance reordered national priorities within the parameters of the $12 billion deficit the President has proposed.

The President has claimed $14 billion in domestic program reductions or eliminations. Many of these programs deserve continued funding.

Additionally, we believe that the Congress should develop its own budget priorities to provide at least an additional $7 or $8 billion of appropriations for each of the next 2 fiscal years in key domestic areas.

These additional funds could come from both a reduction in specific military budget items, and through new revenues resulting from tax reform.

Specifically, I would assign the additional revenues in broad program categories of health care, education, housing, manpower and public service employment, environment, law enforcement and judicial and prison reform.

In summary, it is my belief that there is a critical need to adjust internal priorities generally within the limits of the President's proposed budget deficit. The Congress is at a time of testing of its authority and must utilize all its power and ingenuity to achieve the restoration of its power to set national priorities and to establish a coequal role in the budgetary and fiscal management of this Nation.

I do not underestimate the difficulty of this struggle, but I am confident a majority of the American public support such efforts, and will respond if the choices are understandable in terms of human need and adequate community public services.

Thank you, Mr. Chairman.

Senator MUSKIE. Thank you for an excellent statement. I think it represents a clear, common sense approach to the issues that are shaping up and, as a matter of fact, I am going to ask the staff to prepare this statement so that I may put it in the Congressional Record today. I think it will be a very useful addition to the general dialogue on this matter.

Mr. WURF. Thank you, sir.

Senator MUSKIE. In your statement you have really identified the four or five key questions that the Congress ought to be considering and that I think the congressional majority ought to be considering in proposing a counter to the President's proposal.

The questions are which services have priority, who pays and how much, which level of Government provides the services, who sets the standards, how do we fulfill the obligation of Government to provide

for the general welfare? These are all questions that are not answered by the continued repetition of the objective of avoiding taxes and tax increases or avoiding inflation. As a matter of fact, these slogans simply divert attention from the questions. I couldn't agree with you more that the Congress must not permit this debate to deteriorate into a question of who is for a tax increase and who is against it.

As far as I know, nobody in this Congress is for a tax increase. I don't know of anybody in the Senate who is for spending more than the President's budget calls for. We do insist upon our right to examine the details of that budget, to reshuffle the dollars, and to concentrate our attention on what we must do, but you have given us a lot of commonsense advice.

Also, in your testimony, I think you have identified the form in which the people ask the questions of us, whether we are Governors or Senators or State legislators, or county commissioners. They think of Government service in those simple terms. Unfortunately, they think we are not interested in these simple terms.

I would like to get to a couple of questions. First, related to your testimony, I would like to read that sentence which has had very little attention in this debate.

> A significantly higher percentage of Americans felt the most important way to keep down the tax burden on the average taxpayer was to have corporations and wealthy persons pay a larger share rather than slow down Government spending.

I recall my examination of Secretary Butz on that question. I made the point that I had introduced a tax reform package earlier this year, which by 1975 would add almost $19 billion in revenues to the National Treasury, and he kept trying to label that as a tax increase proposal rather than a tax reform proposal. It is evident that this administration doesn't want tax reform that would have the effect of increasing the tax burden of some of its favorite clients or supporters.

In any case, you might be interested in expanding on that point. I don't know if you have had a chance to look at my tax proposals of mid-January or not, but you might like to at the present time and, if you wanted to make some comments on its thrust and such specifics as you were able to obtain, you may do so.

Mr. WURF. I am aware of your proposal. Generally speaking, we support it. I am aware of your proposals dealing with such matters as the vast amounts of money that would be available in terms of reform action—and I use the word "reform" as you have used the word—capital gains, gains in debts, percentage of depletion from mineral resources, tax treatment for real estate, special 5-year authorization programs, excised bad debt reserves, and so on.

In general, sir, fundamentally we feel that the tax system in this country is outrageous. The rich pay far less than their share and the poor pay far more than their share and special interest seems to have an inordinate amount of influence.

Well, to be very candid, it has influence in the Congress as well as upon the President, but this particular President has shown no desire at all to deal with the very obvious needed reforms that are nesessary.

I would point out one thing that every American by the age of 12 knows: that in recent years, special tax incentives were given to those who are making an inordinate profit as a result of the inflation the country has been undergoing, and instead of addressing ourselves to dealing with the matter that way, the manner in which the President has addressed himself to the matter is "well, if we give decent care to the elderly, the sick or the poor, we are putting unfair tax burdens on those who are not able to pay it." That is the kind of demagoguery we have to deal with.

I am not as familiar as I should be with your proposal, but I could go through the specifics of your program and say this—without being specific because I don't have enough information at this point—I examined your program enough to say that this is the direction in which we must go and, secondly, there has been a large amount of demagoguery surrounding this business of property taxes and income taxes to the poor and so on. Again, the Government has played a semantics game with us. I know I am being redundant and I think this was said by a witness before me, but I was impressed by that testimony. In effect, the revenue-sharing instruments came forward last year and there was much good in them. I think the law could have been hotter and stronger but those mayors and Governors were a little bit hot and less willing to be as forceful as they might have been. But the point that is made is that that the President gave last year, not only is it going to result in a net loss in terms of public services available in the cities and States, which is not being fair, but I might point out that I have recently returned from the executive council meeting of the AFL-CIO which has pointed out in very specific terms that the President's program or the President's budget is short-changing the American people. The AFL-CIO has fundamentally called for a tax reform and tax changes in a sort of readdressing of who carries the burden, and has done this in a manner which I think you would find in many ways resembles the reforms proposed in your legislation.

So that they didn't specifically endorse your legislation, and I don't want to leave that impression, or endorse anybody else's legislation——

Senator MUSKIE. I understand.

Mr. WURF. But basically speaking, what we are saying is, that the President is using rhetoric and slogans which frighten people. People are distressed by taxes and distressed by the quality of public service they are getting and I think there is legitimacy there, but I think that the matter is not being dealt with forthrightly and honestly by the executive branch of the Government. We think, secondly, this business of having the Congress of the United States reach into these matters, as is its proper constitutional function, should be resolved. And we have seen this business of impounding which, again, being a responsible individual, I must admit did not originate with the President. But it has reached a point now where you might as well eliminate the veto power because he is using impounding in a way that even the framers of our Constitution didn't intend to grant veto power; to frustrate the will of the Congress and to frustrate the will of the people.

And then to deal with it in broad simplistic slogans and to appeal to that which is base in us instead of dealing with what is needed, distresses me very much.

Senator MUSKIE. There is a tendency in the current comments on tax reform to suggest that this was a phony issue created by the politicians and by the Presidential candidates last year and now they tend to forget it. I can recall and I think you can, because we had some association in that campaign——

Mr. WURF. Yes we have.

Senator MUSKIE. At least early in the year. But I can recall that I didn't create the issue but that I found it was an issue that was very much on peoples' minds. Another candidate sensed it before I did and so the tax reform issue emerged as early as the Florida primary a year ago. It escalated not because the candidates escalated it but because they found people were concerned about it.

So, I was very much interested in your survey. Was it a poll?

Mr. WURF. Yes, it was a series of polls.

Senator MUSKIE. You have submitted it for the record, identifying that point. That is why I focused on the sentence in your testimony that when it comes to a choice between cutting essential programs and tax reform, the people opt for tax reform.

Mr. WURF. Mr. Chairman, as a young man I used to be amused by something. And I hope I am forgiven in these days of women's liberation for using it now, but I used to appear before what was then the supreme power, that is, the Board of Estimates of the city of New York on behalf of the union's membership in New York City. That is where I started and we used to have public hearings, I believe, once every 2 weeks and the same ladies in white hats, as we tended to identify them, would appear 1 week in favor of expanded public services—and they were very sincere and honest about it—and the next week they would appear in opposition to the raising of funds for these public services. And after a while I guess it got where they got weary of hearing me say, "do you want the public services? And if you do, how are they to be provided for?" and so on and so forth.

After a while we got some balance but we had a clear understanding of what is my very big concern here, that we look upon the legislative branch of our Nation as the branch that is most representative, closest, and most responsive to the peoples' needs. There are a lot of fancy words we have these days: Accountability and what not. But we have a lame duck President, if I may be so bold, and I like to say it as it is, as you know, sir. We look upon a lame duck President, in effect, saying that we are against the phony poverty programs, we are against people who won't work, and so on. And we are talking about a situation in Wisconsin where they are going to close down a child care institution for the kind of children who simply can't feed themselves or perform their other bodily function.

We are talking about prisons which turn men into criminals instead of rehabilitating them. We are talking about hospitals where I had a year or two ago a very traumatic experience because such hospitals are not worthy of the name hospitals. I would tell you, sir, on New Year's Day I woke up with an illness. It was temporary but terribly painful and there was no facility available in this great city of Washington that could deal with my problem for several hours. So, you know, I had some unhappiness.

Now I, being a fellow who knows a lot of people, could make a few phone calls and, eventually, my problem was taken care of, but Mr.

Average Joe Citizen would have spent perhaps 24 uncomfortable and unhappy hours with something that could have been eliminated in 5 minutes by a physician.

We talk about the fact that the proportion of unemployment among some people in our population is high; that is, the minorities who have never had a fair chance at education. Well, if we are not to have polarization in America we have to have adult education facilities to give those people the skills to provide jobs for themselves so that instead of polarization we bring about what has been the policy of every branch of government through most of my adult life. Again we are eliminating those programs.

A manpower program was set up last year. This was a manpower program that was affected and involved with public manpower; that is, putting people to work in the public sector for needed public works. Well, it was badly administered but even with that bad administration it provided jobs. The President has cut it out, and he is now saying that the money provided by the grants that were made last year will take care of it. Well, it is just not so. It will not take care of it; you will have more people unemployed.

Now, I suggest to you that we can't have in America, an America that, in effect, says to the poor, to the sick, to the uneducated, to the illiterate, that, by golly, we are tired of you, or an America that uses code words and slogans to deal with the needs of the people.

I think, going back to the 1930's, that fundamentally, the American people understand that government has a responsibility beyond maintaining a defense establishment and so on.

Now what I am saying to you, sir, is that I can specify areas in which some experts—and I am not an expert in that area—but our staff has gotten some expert information where cuts could be made in the military expenditures. We can point out that some of the excesses that take place in procurement are not being addressed. I think it is incredible that the head of Litton Industries, who has shown himself so inept in many ways, will become the man who will be handling the funds of the United States. Perhaps I am being harsh—and I don't want to be harsh—perhaps I sound partisan or political and I am saying that for a later day where I will be partisan and political, because I am not being so here this morning.

I am saying, sir, that perhaps if we would address ourselves to the inability of that shipyard in Mississippi to deal with its responsibilities with the clarity with which we address ourselves to the mistake of some social worker in Chicago or New York or Cleveland, where they may or may not have made a good judgment, then we are dealing with the realities of America today.

And most importantly, sir, we have a different form of government in this country. In other countries, the man who becomes the spokesman of government, the man who is making the policy decisions, represents a majority party. He represents the programs that the people voted for. Well, the one thing that the past election showed—and I am a Democrat—we lost the Presidency but, by golly, we increased our strength in one House and we didn't do badly in the other House and I think the people clearly understood what the candidates were saying when they elected the kind of Congress that they did in the past election.

I think the Cantril study and the other studies again prove that the people of America are not calloused to the needs of people—going all the way back to Franklin Delano Roosevelt, to the people that were ill-nourished, ill-housed and so on. We can't turn our backs on them. If we turn our backs on them, we are not only showing callousness to the kind of people that are poor and deprived but we are creating tensions and unhappiness and problems for that part of America that think it can sit back and not answer the needs of these people, whether they are sick or young or old or uneducated, or whatever, because there is a terrible price that those of us who do not specifically fall into those categories will pay if we don't address ourselves to their problems.

I suggest that this impoundment of funds as you come forward with the programs is enough to drive one crazy. The fact that the Budget Director of the United States, one of the most powerful figures in these United States, has become very frightening, that he loses all responsibility to what is the will of the people, when he doesn't carry that will out and it becomes the will of one man. That is a very frightening course, and perhaps I am getting a little beyond the specifics of my testimony this morning and making, as usual, too many comments and using too many words, sir. But, I feel very strongly about this.

Senator MUSKIE. As we focus on how many dollars we should commit to this budget for 1974, in the first place, I think that $268 or $269 billion isn't far from the mark. I think we will find that, as we look at the priorities, and we shuffle them, that it isn't too far from the mark. I think this point ought to be made—and Walter Heller made it last week—that the $269 billion does not represent whatever percent increase over the $250 billion that the President set for this year because when you examine the $19 billion difference it melts away as an increase.

I don't know if you noticed that testimony, but it might be well if I were to review it. In the first place, there isn't really a $250 billion ceiling on 1973 spending because the President used a lot of gimmicks that have been used by other Presidents to cloud that. The real ceiling was $255 or $256 billion, because the President used such things as increased sales of offshore oil leases, various gimmicks of that sort, to offset spending. So in terms of real spending, the budget comes to about $255 billion and that is the figure Mr. Heller takes as the departure point, although a lot of other economists use $256 billion.

That is about $5 billion of the $19 billion difference that just melts away there. Secondly, $4 billion of what remains is increased defense spending in spite of the fact that the war is supposedly over. You take that $4 billion away and you are left with $10 billion. Of that $10 billion, $2 billion is an increase in the interest on the national debt, which certainly doesn't represent increased spending on programs. So now you are down to $8 billion.

Now that $8 billion is more than covered by the $10 billion increase in payroll taxes and benefits associated with it, so what you have left is $2 billion less spending for programs of the kind we are talking about in the $269 billion 1974 budget than the $250 billion 1973 budget.

The 1974 budget is a more austere budget in terms of domestic programs than the 1973 spending that the President has enforced by way

of impoundments and what I regard as other unconstitutional means.

I think that has to emerge in this debate so that we are not deluded into talking about however much 19 percent is more than $250 billion as an increase in spending, because it is not.

Mr. WURF. And tangentially to your reasonable statement is the fact that you haven't even bothered to account for the inflationary factors.

Senator MUSKIE. Exactly. And the growth of problems. As these problems are neglected, they grow and require additional attention. So you are right. We don't even take that into account.

I would like to get into another question. Another idea we ought to dispel is the idea that Congress is for waste or against the elimination of redtape or against the elimination of programs that have outlived their usefulness or against increased efficiency in the delivery of services.

This subcommittee has worked in the field of grant consolidation for 10 years and we are still for it. We think that the community development revenue-sharing proposal, which was developed last year by the Committee on Banking, Housing and Urban Affairs, is something like what we ought to have, whether you call it special revenue-sharing or block grants or grant consolidation. They put together what I think we ought to have, and I am delighted to see your testimony focusing on that point.

I think it would be useful for the record, whether you can supply it today or later, to get some suggestions as to how we can target block grants, because we are in a dilemma between two concepts here: Categorical grants which set very specific guidelines and narrow focuses, and revenue sharing which implies no strings at all. Whereas, actually, what you are talking about—and what I think the community development program undertakes to do—is to provide some of the flexibility of revenue sharing but, at the same time, target precious Federal resources into areas where they are really needed.

I wonder if we could get some further input here on the question of targeting or guidelines or standards within the concept of special revenue sharing or block grants.

Mr. WURF. Let me say two things on that if I may, Senator.

First of all, we will, of course, implement what we said here and send it over to the committee and, second, the executive council of the AFL–CIO, with whom I have not always been in total agreement, or they have not always been in total agreement with me, but nevertheless, has some resolutions—and I am sorry I don't have a copy here—but which very specifically deal with this problem. Let me say, last and by no means least, that we tried very hard and worked with the mayors, the Governors, the representatives of the counties—and without being flippant about it—they had very great concern and were afraid of some of the proposals that we made to make sure that at the time that these very large sums of money were being directed, they felt that this would be a wonderful opportunity to deal with—and how shall I put it—some of the lack of responsibility that some of the States have shown with regard to tax systems and so on and so forth.

Let me again—and I am being redundant and going a bit beyond the matter that you raised—but let me again say that we think that block grants, special revenue sharing, categorical grants, and so on and so forth, all of these are strings in the same bow and one has to be

flexible. And I disagree most heartily, as one who has worked very hard for revenue sharing and worked hard last year, I disagree most heartily with the President's concept that now that we have revenue sharing, you know, do what you will.

I also will say in all honesty that I have been a little bit disappointed in some of my favorite Governors and mayors who have, for reasons best known to themselves, who have not treated these funds in the manner in which we would have liked to have seen them treated, and I think perhaps who might pay a price for that kind of treatment when they come back to the Congress again for assistance.

I don't like it when Governors, whom I generally have high regard for, take the money and start talking about reduction in taxes and reduction of necessary services, realizing at the same time that is, you know, politically an expedient thing to do.

There was a mayor—and I don't know who he is, but he is from my own home State who got his revenue sharing State funds just before Christmas and sent out little Christmas cards to his constituents. This is an incredible situation which I am sure you will be hearing about until it runs out of your ears before this Congress adjourns, but I would point out that these, hopefully, are the exceptions and not the rule. I was distressed with a good Democratic Governor, Governor Mandel, and I am distressed with some of the things that Governor Lucey is doing in Wisconsin, who is a good friend of mine and a very old friend; and also Governor Anderson and so on.

I think, essentially, sir, what is evolving that nobody likes to say out loud, but I think it needs to be said, it is you, the Congress, who set the priorities, set the level of responsibility and, in some measure, who has to take action to make it possible to raise funds—be it locally or be it through the Federal income tax—that will deal with these problems I think that your efforts to reform the tax system are most commendable. It is tragic that everybody is against taxes and for lowering taxes and nobody likes to discuss taxes in specific terms.

I think it is incredible that a State like Connecticut where perhaps the highest income in the United States exists, where they come to that uncomfortable Grand Central Station every morning from Connecticut and go to Wall Street and pick up a buck and then go back home and avoid income taxes. It bothers me, Mr. Chairman.

I think that we need responsibility and I think that this responsibility will emanate only from the Congress and only emanate from the kind of measures that you have proposed. Yet, at the same time, I think the integrity, the accountability, the oversight that can be assessed, that can come only from local and State governments, must be protected as well. And I think through the years you have established a very sound record with your concern for these areas.

On Mondays, Wednesdays, and Fridays, I meet with the Governors, mayors, city managers, county managers, and what not, as an adversary, and on Tuesdays and Thursdays we are all allies here in Congress. I think that sometimes leads to strange results. I wouldn't use anything as cliche as strange bedfellows, but, nevertheless, these are difficult problems and complex problems.

This committee has done magnificent things in the past in clarifying these problems and I just hope you continue to do it, and I hope you continue sounding off in this direction.

Senator MUSKIE. You don't believe I perhaps sounded off too much?

Mr. WURF. No, I was delighted when you said some of the things you said, and when you banged some of these guys around who needed banging.

Senator MUSKIE. I have one final question, Mr. Wurf, just for clarification.

Is it your suggestion in your statement that we ought to add, in addition to general revenue sharing, reform of State and local taxes?

Mr. WURF. Absolutely. I think that there should be a condition attached to revenue sharing that the States have progressive income taxes, not counter-deducted ones, but they should take their share.

I think it is obscene that the State of Connecticut has a 6- or 7-percent sales tax, which means that the poor pay and the rich don't. That means that the percentage of a man's income that is going into taxes is ridiculously small for those able to pay and ridiculously high for those unable to pay.

I think if Connecticut, and other States like it, want revenue sharing, they have to pay the price of reforming their tax structures.

I might say the State of New York, where I come from, used to be known as a liberal place, but has become as conservative a State as anyone could wish. There we have a progressive income tax. I think the situation in New Jersey is very frightening, and I hope that you make, as a condition of revenue sharing, a willingness to go in there and make them reform this very unreasonable business of high payroll taxes, sales taxes and, in many instances, unreasonably prompt tax. You know as well as I do that frequently a discussion about property taxes involves a measure of demogogy. But, most importantly, as a precondition of some of the fruits that flow from revenue sharing, there should be a reasonably progressive income tax imposed on these States, of course consistent with ability to pay, consistent with the nature of the State, consistent with a whole lot of things, a multiplicity of problems that are very easily solved.

Incidentally, we thought last year we were getting some place on this and we sort of got shot down at the path, so to speak, by the fears of our colleagues, who were fearful that if we insisted on this we might lose the revenue sharing bill.

Senator MUSKIE. Some of them may now wish we lost it.

Thank you very much.

Our last witness this morning is Mr. Wesley Cullipher, member, Board of Commissioners, Pasquotank County, N.C.

We are happy to welcome you, Mr. Cullipher. That sounds like an Indian name, Pasquotank County.

STATEMENT OF WESLEY CULLIPHER, MEMBER, BOARD OF COMMISSIONERS, PASQUOTANK COUNTY, N.C.; ACCOMPANIED BY HOWARD CAMPBELL, COUNTY HEALTH DIRECTOR; AND TIM LEWIS, EXECUTIVE DIRECTOR OF THE ALBEMARLE HUMAN RESOURCES DEVELOPMENT SYSTEM

Mr. CULLIPHER. Thank you very much. You did go with that Indian name, I think, in Pasquotank County.

Senator MUSKIE. We have Indian names in Maine also, so I am not unfamiliar with them.

Mr. CULLIPHER. Senator, I would like to introduce the gentleman with me: Mr. Howard Campbell on my left is county health director, and Mr. Tim Lewis is executive director of the Albemarle Human Resources Development System. I would like to share my time with them as we move along.

Senator Muskie, I would like to tell you we sincerely appreciate the opportunity of appearing before you to express the sentiments of a rural depressed area as it relates to the new Presidential federalism system.

I think it very apropos that you hear from the rural areas now that you have heard from the Governors and some of the large city mayors and our problems are certainly extreme in the rural areas.

I represent North Carolina substate region "R", which encompasses 10 counties in the northeastern corner of the State. We cover some 5,500 square miles of earth surface and 3,200 square miles of land—a very historic area. Sir Walter Raleigh made his landing here. We are blessed with many hundreds of miles of beautiful streams, rivers, and sounds. We are bounded on the east by the Atlantic Ocean. We are indeed rich in natural resources but not so rich in financial resources. Our population is 97,000 people with a per capita income approximately 40 percent less than that of the Nation. Our 10 counties range in population from 5,400 to 27,000, with a color ratio of 40 percent black and 60 percent white. Our education grade level is 8.3. We are predominately an agriculture area, and with the modernization of farming techniques, and a limited amount of industry, job opportunity becomes one of our major areas of concern in the area.

We are a proud people, and we do not believe that government "give away" programs is the lasting solution to our problems. However, I do believe that outside assistance is necessary to help us build a sound system of delivery of service to our people to make them self-sustaining, and to help us build a sound economic base if we are to reach a living standard equal to that of the Nation.

Twelve years ago, in an effort to help ourselves and with the assistance of the Agriculture Extension Service, the 10 counties in our region bound themselves together in a volunteer organization known as the Albemarle Area Development Association. Their objective was to improve the social, cultural, and economic conditions of the area. We realized that not one of our counties was large enough or had adequate funds to provide the service to our people that they so richly deserve, but by working together a brighter day was in store for us. This organization is still very much alive today and since their creation, many things have happened to help us reach that utopian dream of a better place in which to live and raise our children. They have been responsible or supported such programs as, bring the arts to all of our school systems, a fat stock show for our farm youngsters, a craftsman's fair, a community college, a community action program, fine agricultural specialist in various fields, a community development program, and an economic development district.

With the creation of a 10-county economic development administration district 18 months ago, administratively funded through Federal and local funds, things really started happening. Our intent was to create an atmosphere of total development and created job opportu-

nity. Our people became excited; perhaps we were not second-class citizens of our State and Nation. For the first time, we had a staff to work full time in a total development program for our region. This organization is known as the Albemarle Regional Planning and Development Commission. It was immediately designated by the State as the lead regional organization, the regional clearinghouse and the regional ancillary manpower board. The commission brought staff members aboard to administer a program for the aged, a HUD–701 planner, a comprehensive health planner, an EDA program planner and an EDA projects coordinator. From every direction help came to us in our undertaking to improve our area. One prime example is the regional medical program, who for more than 5 years recognized our extreme problems in the health field. Even without an official organization through whom they could operate, attention and a great deal of work had been done through RMP in the region. Upon the creation of the Albemarle Regional Commission, the number one project selected by the board of directors was health. RMP was immediately at our beckoning call. They have given us unlimited technical assistance and helped us develop a very viable health organization, which my colleague, Mr. Campbell, will discuss.

We are proud of the progress that has been made in a total development program for our region in recent months, but our task has just begun. The EDA regional commission became the hub around which development evolved, such as rendering assistance in the development of an industrial park in a town which had no industry; EDA grant provided a public works grant to run a water system to that park. Today they have an industry employing more than 250 people. We assisted another town who completely lost their sewer system as a result of Hurricane Ginger in 1971. This almost put that town out of business. Their school system was very near being closed. The one little industry I think that was there was about to be closed as a result of the loss of the sewer system. Their borrowing power was zero and they had no funds of their own. An EDA grant saved that town. We have assisted in an economic development program that has created more than 500 jobs, all paid through private capital. This is the real payoff. These are now tax paying industries with tax paying employees, and there is more in sight.

If the President's new federalization system becomes a reality, many of these development efforts will be brought to an abrupt halt. It will have a tremendous adverse economic impact upon a rural area such as ours with the elimination of such programs as the economic development administration, coastal plains regional commission, the emergency employment act, regional medical programs, the community action program, the REAP program, elimination of impact funds to education in high density military areas, the increase in REA interest rates and the reduction of resource conservation development projects. Having served as a county commissioner in this region, I fully recognize the tremendous impact these programs have had in our area. And I might add that I have served as chairman of its budget committee for more than 3 years and have more than a layman's view of the problems that exist in that area. Yet I fully recognize the tremendous impact these programs have had upon our area. Yet, on the other hand, if

they are dropped through the new budget proposed, I know that the counties in my region do not have the resources to continue them.

Mr. Chairman, I would like to share my allotted time with Mr. Howard Campbell who is with me today, to discuss important health aspects of our region. He is a director of a four-county health department in our region and is chairman of the Albemarle Human Resource Development System which provided a very vital service to our region through RMP assistance, and works in conjunction with our EDA development district.

STATEMENT OF HOWARD CAMPBELL

Mr. CAMPBELL. Mr. Chairman, I would like to pick up where Mr. Culipher left off and I will address myself to a specific area, namely, health care in the ten-county region.

1. Crude death rates when adjusted for age indicate (a) death rates for non-whites are somewhat less than the rest of the State (b) death rates for non-whites of this specific age group 35–65 are much higher than the similar age group for the white populations.

2. The neonatal, post-natal death rates among infants in the ten-county area are listed with the highest in the Nation.

3. Out of wedlock births are 35 percent higher in the region as compared to the rest of the State of North Carolina.

4. The Albemarle region is apparently in a geographic area (the Virginia to Georgia Coastal belt) where deaths from strokes are the highest in the country. Furthermore, other studies indicate that lung cancer deaths for white males and crevical cancer deaths for white females are exceptionally high when compared to national rates.

5. The Albemarle region likely has health care problems and needs typical of those in Southeastern United States.

Factors preventing the region from obtaining needed health care are low income, inaccessibility to health care services, lack of knowledge concerning health practices, health manpower shortages, multiplicity of uncoordinated services and lack of money to assist in the development of health care programs.

It became apparent in the last few months that if we are going to try to deal with some of these health care problems, there needed to be a new mechanism developed and this is what has happened.

An outgrowth of the regional EDA district has been the Albemarle Human Resources Development System, a nonprofit mechanism to effectively utilize categorically funded programs. Made up of a board of directors consisting of 60 different members from social services, health departments, school superintendents, hospital administrators, vocational rehabilition, veterans affairs, county commissioners, and consumers from the 10-county region. The system was born with moneys and technical assistance from the regional medical program of North Carolina.

Initially the program was requested by residents of the area to assist in recognizing needs and assessing relationships in the region. The regional medical program has been able to bridge the gaps left by State and Federal programs and provide developmental money where other programs were saddled with constraints. Without the expertise

and cooperation of their staff the following existing and proposed programs would have been impossible.

The program has provided money to conduct various health education programs, a career ladder nursing program, a proposed speech and hearing program for testing and treatment for those not as fortunate. A family planning program, unique in operational concept and the only one of its kind on a regional basis in the State of North Carolina.

If the new federalization system, as proposed becomes operative, this will mean the demise of all the previous local efforts of approximately $1 million in health programs alone.

Alluding to a previous statement by Mr. Cullipher, the 10-county region does not desire the label of "second-class citizens" in the health care and other related programs.

This is an example of a region willing to join and work together with the assistance of outside-the-region programs to hopefully provide a better way of life for its citizenry.

We are the first to admit we have a long way to go, but an impressive start has been made and certainly a brighter future is in the offing if the dark clouds looming on the horizon are brightened.

Our sincerest thanks to the committee for the opportunity to state our case and we leave with the confidence the right decision will be forthcoming.

Senator MUSKIE. Thank you very much Mr. Cullipher and Mr. Campbell. I hope that we can find a way to make it possible for the hope you expressed in the last sentence to materialize. It isn't easy to force the Executive to administer a program that the Executive is determined to kill, but I think one of the ways is to get testimony such as this on the record so that people will understand the impact of these cuts. There is nothing like the force of public opinion if you can mobilize it. Unfortunately, the President seems to have the upper hand in his access to public attention. It is easy to be against tax increases, and it is easy to be against inflation. And I guess it is easy to relate this, too, to the general notion of spending at the governmental level. But I think there is this other constituency which you gentlemen represent, and I am delighted to have this testimony from rural America.

Mr. CULLIPHER. Senator, I think we thought at one time that general revenue sharing was going to be the answer to all of our problems. In rural America, a part of the problem seems to be that money is proportioned according to the head count. We have a county in my region that is the poorest county in the State out of 100 counties. It ranks 100th.

From general revenue sharing they receive $61,302. Now it must be remembered that they must provide the same services for those people as any other county does and, that is, education, it is health, it is social needs and so forth. So how can the $61,000 general revenue sharing do this? How far can it go in a county of this size?

I would ask that a lot of attention be given to the rural areas in this respect because we do have to deliver the same services as New York City does in education, health and so forth.

Senator MUSKIE. I hope we can get more testimony from rural areas. We found it very difficult to get testimony from the National Association of Counties. For some reason, they seemed reluctant to present

the story of the impact on rural America. We think that story is important. It certainly is in my State. The largest city in my State has less than 80,000 people and so our problems are very similar to those you described in your statement. That is another reason I am so delighted to have it.

The point you make is a very valid one. General revenue sharing is a good concept. I supported it but it doesn't solve all of the problems.

Mr. CULLIPHER. It doesn't, particularly in the sparsely populated areas.

Senator MUSKIE. I couldn't agree with you more.

Mr. CULLIPHER. Mr. Chairman, I discussed many subjects here this morning. I have, specifically on regional medical programs, a statement that I would simply like inserted in the record. I will not go into this statement.

Senator MUSKIE. Yes, I would like to have that.

[For the regional medical program statement of Mr. Cullipher, see p. 466.]

Senator MUSKIE. Incidentally, we had a hearing before the Maine congressional delegation here on that same subject. I think our experience is the same as yours, or very similar, and we would hate to see that program go.

Mr. CULLIPHER. It is very valid to our area. EDA and regional medical, these things are really helping us get off the ground in that area.

Senator MUSKIE. Thank you both for your excellent testimony.

[Whereupon, at 11:30 a.m., the subcommittee recessed subject to the call of the Chair.]

A NEW FEDERALISM

THURSDAY, MARCH 8, 1973

U.S. SENATE,
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:55 a.m., in room 3302, Dirksen Senate Office Building, Senator Edmund S. Muskie (chairman of the subcommittee) presiding.

Present: Senators Muskie and Chiles.

Also present: Alvin From, staff director; James E. Hall, counsel; Jane S. Fenderson, counsel; Lucinda T. Dennis, chief clerk; Lorelei J. Williams, secretary; and Dorothy J. Kornegay, secretary.

Senator MUSKIE. The committee will be in order.

I apologize for being late but Washington traffic conspired against me this morning so I am in a stronger mood than ever before for putting as much of our highway trust funds that we can get into mass transportation.

This morning we resume our hearings on the impact of the President's new federalism, and we will hear from five distinguished mayors and Mr. Vernon E. Jordan, Jr., the executive director of the National Urban League.

On February 21 this subcommittee heard testimony from 12 other distinguished mayors who are members of the Legislative Action Committee of the U.S. Conference of Mayors. Their testimony was quite critical of the impact of the President's proposals on their cities.

So in preparation for this morning's hearings we invited six mayors—Mayors Lugar of Indianapolis, Welch of Houston, Rizzo of Philadelphia, Driggs of Phoenix, Maltester of San Leandro, Calif., and Allen of Olympia, Wash.—all of whom are identified by the White House as supporting the President's policies to testify before the subcommittee.

I am sorry that Mayors Welch, Rizzo, and Driggs could not be here this morning but I am pleased to welcome the other two mayors, Mayors Moody of Columbus and Wilson of San Diego.

We wanted to be sure that the testimony of the mayors of the country is balanced, so we are delighted you are willing to come. I don't know whether your testimony has been accurately characterized, but, in any case, you can speak for yourselves. Mayor Lugar, I understand you are going to handle the panel and present the witnesses.

Mayor LUGAR. Thank you very much, Mr. Chairman. We feel it a privilege to have this opportunity to testify this morning. I would like to introduce each of my colleagues in the order of their testi-

mony and, unless there is objection, they will proceed on with the testimony and I will make the concluding statement and then we would be pleased to answer questions.

The mayors who are with me this morning and who will be testifying are Mayor Pete Wilson of San Diego; and, second, Mayor Tom Moody of Columbus, Ohio; and, third, Mayor Tom Allen of Olympia Wash.; and finally, Mayor Jack Maltester of San Leandro. So without a pause we will proceed with the testimony of Mayor Wilson.

STATEMENT OF HON. PETE WILSON, MAYOR OF SAN DIEGO, CALIF.

Mayor WILSON. Thank you very much, Mayor Lugar.

Mr. Chairman, I am most grateful for the opportunity to appear before this Subcommittee on Intergovernmental Relations. I think that the chairman may have read in the news media reports of the recent policy statement, adopted by the board of directors of the National League of Cities, which effectively puts the mayors of America on record as addressing the subject of your hearing: The budget and the President's proposed new federalism. I think it is clear from that statement that there is unqualified support for the concept of new federalism, the special revenue sharing. At the same time, there is concern with respect to the transition from the present system of categorical grants-in-aid until there is enactment of special revenue sharing.

Now, I think those of us who represent cities are understandably concerned because we are in a position now of not knowing when we will be able to enjoy the new independence and the new effectiveness that will be ours when special revenue sharing has been enacted. And we have expressed ourselves to the administration. We hope that we will not see the cities fall victim of a confrontation between the Congress and the administration. We have urged that the administration see us through the transition to the enactment of special revenue sharing and, at which time, special revenue sharing will afford us a tremendous flexibility and a new authority which we do not presently enjoy.

Frankly, the response of the administration has been encouraging, although no great amount of detail has yet been given.

The President himself recently addressed a dozen mayors, a bipartisan group, and indicated that he was determined the gains of recent years in improving the condition of the central cities—the major central cities—would not be lost through Federal neglect.

The other day Secretary Lynn advised us it would be a matter of weeks rather than a matter of 18 months before he would be in a position to reveal the administration's proposals to replace present subsidized housing programs.

Similarly, the Domestic Council Director, Kenneth Cole, has indicated that he would consider and the Office of Management and Budget would also consider specific provisions for which justification could be shown.

Now, all of this we find rather encouraging. But, by contrast, my colleagues and I have been rather dismayed to find a number of Members of the Congress who appear frankly eager to confuse the merits

of decentralized authority of special revenue sharing with the level of funding for it. Very candidly, as mayors we live each day with the problems and with the people who suffer, and we are at least as concerned with adequate funding as are the Members of Congress. But we are not willing to equate the wisdom of special revenue sharing with the wisdom of the budget. And, to put it bluntly, we are not willing to see the real issue evaded by those Members of Congress who seem intent upon a deliberate confusion of the two.

Just as the administration cannot responsibly underfund special revenue sharing—nor do I expect in any way that it will—neither can the Congress responsibly or in good conscience fail to enact special revenue sharing at the earliest reasonable date.

If Congress were not to do so it would, in effect, be holding the cities hostage. Congress really would not be in a position, after the deadline had passed or a reasonable period for legislative consideration and enactment, to claim that it had withheld enactment of special revenue sharing in the interests of the cities. That frankly is just not true. The administration is fighting our fight for the passage of special revenue sharing. And we are grateful for it. Just as we are grateful to the Congress and to the President for having afforded us the gift of general revenue sharing.

Now, with respect to special revenue sharing itself, I suspect that the chairman has heard from our distinguished colleagues on the Legislative Action Committee and essentially to the same arguments that we would make in favor of special revenue sharing.

In short, the cities are ready for it. We possess the competence. We possess the conviction. Through the gift of revenue sharing, both the people of the United States—those whom we serve and those at the Federal level who seek to see Federal dollars well spent—will gain an accountability that they cannot gain when these dollars are spent by paragovernments: by community action agencies who are not answerable to the polls for their performance in the same way that highly responsible elected officials must be.

I would simply close with a suggestion prompted by the comment of a Congressman the other day from my own delegation who expressed the thought that those who have the pleasure of spending should also have the somewhat doubtful joy of taxing.

Well, if that is the concern of the Congress let me say that one possibility that might well be explored is amending the Federal Internal Revenue Act in such a way as to permit cities, or rather the residents of cities who levy a city income tax, to enjoy a direct credit against their Federal income tax for the city tax they pay. This would be the most direct possible form of revenue sharing. It would have the effect of diminishing the revenue requirements of the Federal Goverment presently required for some diminishing of local government's revenue requirements.

I think we would probably find those cities which are highly imparted with social problems would be the cities either to pursue this kind of solution, whereas privileged enclaves, without those problems and making no effort to address those problems, probably would not be interested and, in fact, the Congress might even wish to impose that as a condition, as a test.

As a test I think it would stimulate action on the part of local governments.

But one way or another, we are eager to participate in the income tax source which the Federal Government largely, and, to some extent, the States, have preempted. But as much as we need the material resources, we are obviously very much in need and very eager to receive the kind of flexibility, the kind of authority that can come only with revenue sharing.

I would like to thank the chairman for this opportunity to appear before him.

[The statement of Mayor Wilson follows:]

PREPARED STATEMENT OF MAYOR PETE WILSON

The nation's mayors—partisan and non-partisan alike, representing cities large and small—have clearly addressed the subject under inquiry by this distinguished Senate Subcommittee on Intergovernmental Relations: the budget and the President's "New Federalism."

In a policy statement adopted last Sunday, the Board of Directors of the National League of Cities have expressed both unqualified support for special revenue sharing, and concern for the transition from categorical grants-in-aid to Congressional enactment of special revenue sharing.

As mayors, we are compelled to admit the dependeny of our cities to varying extents upon the present system of grants in aid, with all its defects and inadequacies. But we are eager to escape from that dependency and from accompanying burdens that so dull local initiative—the bureaucratic delay and requirements irrelevant to real local needs. We are eager for the independence, the new effectiveness that can be ours, with the realization of special revenue sharing.

Unhappily, we don't yet know when we will be able to enjoy that new independence and effectiveness—because we do not know when or even if the Congress will give approval to this landmark reform which is so obviously and critically needed to make government at all levels responsive, workable, and believeable.

We have, in the face of this uncertainty, made entreaty to the Administration that it assure the cities adequate federal funding until Congress acts favorably upon special revenue sharing. The response of the Administration—though complete detail is yet to be given—has been encouraging.

President Nixon himself last Tuesday gave assurance to a bi-partisan group of a dozen mayors that he is determined that the improvement in the condition of the major central cities shall not be lost through federal neglect. HUD Secretary Lynn Monday told the National League of Cities that it would be a matter of weeks rather than 18 months before he reveals Administration proposals to replace present subsidized housing programs. Domestic Council Director Kenneth Cole has indicated that his office and the Office of Management and Budget are willing to consider some specific budget revisions for which adequate justification can be shown.

Mr. Cole has indicated the Administration would welcome communication from mayors. To that end, I would propose that each of us provide him a one-page summary of how we would spend budgeted federal dollars if special revenue sharing were in effect today. Collectively this local budget data might provide a useful tool to OMB, in its efforts to assist cities during the transition, as an indicator of urban priorities as seen through the eyes of the mayors.

Mr. Cole and other Administration spokesmen have, of course, made clear that the Administration, for all its expressed willingness to communicate and consider, has no intention of exceeding the spending ceiling or of raising taxes. Speaking for myself and a great many of my colleagues, we recognize the wisdom of that decision and applaud the President for it.

The cruelest tax of all is inflation and local governments and their constituents have suffered mightily because of it. Costs have completely out-run growth in local revenue bases. From 1946 to 1971, federal tax receipts as a percent of gross national product increased only slightly from 18.7% to 19.1%; while state and local taxes more than doubled during the same 25-year period, going from 6.2% to 14.4%. The increased cost of basic city services between 1967 and 1971 re-

quired an increase in city taxes, user charges, and utility rates of $10.8 billion.

The other ground for Administration reluctance to guarantee the cities safe passage through an *indefinite* transition until Congressional approval of special revenue sharing is that such patience and accommodation of the cities may well threaten the result that Congress never will give approval.

In contrast to the clear understanding by the Administration of the need for and its championship of decentralized authority commensurate with the fact of the political responsibility of city government for funding solution, all too many Members of Congress exhibit no understanding of the need, and no knowledge either of the real problems of cities or of the competence or conviction of local officials to deal with the problems.

My colleagues and I have been dismayed to find Congressmen eager to confuse the merits of the decentralized authority of special revenue sharing with the level of funding for it. As mayors, we live each day with the problems and with the people who suffer them; and we are at least as concerned with adequate funding as are the Members of Congress. But we are not willing to equate the wisdom of special revenue sharing with the wisdom of the budget. And we are not willing to see the real issue evaded by the Congress by a deliberate confusion of the two.

Just as the Administration cannot responsibly underfund special revenue sharing, neither can the Congress responsibly or in good conscience fail to enact it at the earliest reasonable date. If it does not do so, Congress will be guilty of holding the cities hostage and cannot claim to be withholding approval of special revenue sharing in the interest of the cities or of our people. Let me repeat that the Administration is fighting our fight in pressing for passage of special revenue sharing. And we are grateful. Just as we remain grateful to the President and the Conress for the gift of general revenue sharing.

Congressional refusal to give approval cannot help but excite the suspicion that the Congress places greater importance upon retaining every possible bit of of the power of the purse than upon improving the delivery of essential services to the people.

As mayors we feel strongly that a reasonable deadline for enactment should be established and that an orderly transition should be assured. If the Congress has failed to act by the established deadline, the Administration is entitled to expect the cities to work with it to bring all possible pressure upon the Congress for enactment.

The cities of America are ready for revenue sharing, both general and special. We have the competence, the conviction, and certainly in the minds of the public we have the responsibility. To paraphrase President Truman's famous remark, the buck stops in the Mayor's office. We are asking for the authority and flexibility to go with the responsibility. And because most of the citizens we serve are voters, both they and you at the federal level have accountability—accountability which neither you, nor the people have with community action agencies or other para-governments.

In short, we ask that you enact special revenue sharing because:

We feel we know more about our cities and what they need than federal legislators and bureaucrats with the best of intentions. To prescribe a uniform solution for the very different needs and requirements of very different cities is to ignore the obvious, to wrongly assume them the same, and to require that the city fit the grant rather than fitting the grant to the particular needs of the city.

By contrast, the block grant not only permits but encourages and stimulates innovation in service delivery. For skeptics, I will be happy to provide evidence both from San Diego and other cities of the competence and capacity for innovation of local government.

For those who fear that cities will not or cannot be politically responsive to the needy, the black or brown, and other interest groups whose special interest represents a minority concern, I can offer abundant evidence to the contrary.

To those who want accountability and results for federal dollars, how better can you achieve it than through highly visible, elected officials answerable at the polls for the quality of their performance?

For those Members of Congress who object to revenue sharing because they feel the joy of spending should be accompanied by the pain of taxing, let me make this proposal: let Congress amend the Internal Revenue Act so as to afford to each individual taxpayer a credit against his federal personal income

tax for the amount of all city income tax paid by him. That would provide the most direct kind of revenue sharing, with taxing responsibility at the local level.

Federal tax requirements to fund federal subventions to local governments would diminish in accordance with the exercise of the local taxing power.

Benefit of the new revenue source—and the extent of loss of that source to Congress—would be enjoyed to the extent and in proportion to the city's need and willingness to exercise initiative to solve its peculiar problems.

Presumably, those cities with great need—the major central cities—could be expected to avail themselves of a local tax far more than the suburb not so impacted by social problems.

Authority to levy a city income tax would of course have to be given by the state. But Congress might wish to restrict enjoyment of the credit to those cities which are significantly impacted by social problems and which evidence a significant effort to address those problems; and withhold it from those privileged enclaves not impacted and not making such effort.

Such a test might well stimulate greater local initiative in addressing social problems.

But either way—whether through special revenue sharing in the form of block grants, or through a city tax offset by a federal tax credit—cities need to participate in the income tax base which the federal government (and to a lesser extent, the states) have preempted.

Cities need both material resources and the authority to employ them flexibly so as to be able to respond to each city's differing priorities.

Senator MUSKIE. Thank you, Mr. Mayor.

Mayor LUGAR. Mayor Moody.

STATEMENT OF HON. TOM MOODY, MAYOR OF COLUMBUS, OHIO

Mayor MOODY. Mr. Chairman, it is not my custom to be brief but, because of the very articulate statement by Mayor Wilson, I can abbreviate my remarks in some degree by endorsing, I think, everything that he said with the exception of a suggestion of income tax credit on which I am not informed and am not prepared to testify.

I do not wish to speak contrary to that. That simply is not within my thinking.

Mayor Wilson indicated that there are certain Members of the Congress who have a confusion about dollars and principle, and I think this is true of mayors, too. Many mayors across this country have spoken rather vehemently about the President's new proposals and about the way in which these would be carried out.

Analysis in our city indicates that the impact of the President's proposals is not nearly so great as we had first thought and, on the other hand, that there are within those proposals things that really make an impact for the better rather than for the worse; in other words, more dollars rather than fewer. This is not to say that we are entirely pleased as a local matter with reduction in model cities, for example. But that reduction which was originally thought to be a very substantial one, upon analysis of our position, upon analysis of our future programs, is not nearly so much as we originally thought. It would appear at this time that we will operate somewhere between 70 percent and 80 percent of regular funding, and even with full funding we never operated much beyond 90 percent, and this is because of the nature of the program. There are certain experimental, innovative programs that don't work but for one reason or another are terminated and there are always funds left over, so there is hardly ever more than 90 percent expenditure during the year.

So what I am saying is, "Yes, we have received a cut in this specific area. Yes, we don't like it but, on the other hand, it is not such a matter that we cannot survive, and it is not a matter that cripples our city."

We have received and will receive under these proposals more Federal dollars with more ability and discretion on our own part to do the things that are necessary in our communities and, therefore, to focus attention on a dramatic cut in a couple of areas like model cities is really to ignore the total picture which is a healthy prospect for the cities.

We are convinced that we should look not to the immediate year, this transition period which causes us some difficulties certainly, but we should look to the prospect of a better tomorrow through a more reasonable funding plan and through the Federal Government's determination to allow local authorities to use money in a way which they can determine best.

And I would say to you, sir, that local government has this ability. There may be individual cities that do not.

On the other hand, there are individual cities that have remarkable capacity and strong leadership, and we do not have some of the problems of the Federal Government where it is simply too large to know what is happening or what is going on.

I would like also to mention that there is some apprehension on the part of mayors that this Congress will proceed because of the vehement and very loud cries of many people to continue rather blindly categorical grants.

Now, we cannot denounce these categorical grants because they have served us well and they have served the Nation well. However, because of the anxiety of some to continue with specific projects and because of the drama of their testimony about what happens in a specific instance, we are concerned that this Congress may well be tempted to proceed by extending categorical grants and then suddenly find itself in a position where the appropriations are such that special revenue sharing dealing with the subject matter of those categorical grants cannot then be dealth with because all the money is gone.

I think we, as cities, must stand up for a principle rather than for the dollars, and while this will mean a temporary and small reduction in the number of dollars, principle is worth it to us because we will then be able to eliminate lead times, time-consuming and expensive applications. A great deal of our resources now are devoted to persuading somebody that we have a good cause and this is essentially a matter of educating him in the community and to the physical matters that are involved, things that are already known to local government officials.

The Federal Government, through the administration has indicated to us a deeper understanding of some of the transitional problems that would appear in a bare budget document.

Only this week the President and certain members of his staff showed very deep insight into the manpower programs, for example, and have promised, and I believe that their promise is good, to give careful attention to some of the individual problems that responsible mayors across this country have brought to their attention.

I would urge this Congress and this committee to consider very quickly the revenue sharing proposals. The urgency of combining these programs and getting a working system is far greater than the urgency of the Federal dollars at local level.

Thank you, Mr. Chairman.

[The statement of Mayor Moody follows:]

PREPARED STATEMENT OF MAYOR TOM MOODY

Mayors of cities all over the United States are reacting with interest and concern over the direction of our Federal Government—its structure and its funding,

With some deep apprehension about slurring my fellow mayors and colleagues, I suggest that much of their reaction has been shortsighted, and much of their rhetoric has not been buttressed with fact. Those hundreds—even thousands—of mayors who have not made headlines with torrid words of support or denunciation, are taking a thoughtful, detailed look at the concept of the New Federalism and more particularly, at President Nixon's budget to implement that New Federalism.

I do not pretend to speak for all mayors. I speak only as the mayor of a city of more than half a million people, having the problems of all large cities, but dealing with those problems by making better use of its physical and human resources than do many of our sister cities.

Praise is due the last Congress and President Nixon for the passage of General Revenue Sharing last year. This expression of confidence in local government, and the establishment of a principle of policy are far more significant than the several billions of dollars appropriated by the Congress. In perspective, General Revenue Sharing means to Columbus, Ohio, less than 4½% of our operating funds, and a smaller percentage of our total sources of revenue. This amount of money does not save us from destruction, for it has been, and is, up to us to deal with our survival, and I pledge that we, as a large city, will look to our own problems, cope with them, and pay for their pollution. Anything less is irresponsible.

However, this does not mean that we can do it without help. The greatest help that we can receive is the maintenance and development of a strong economy without inflation. Next is the availability of funds, without red tape, without undue regulation, and without the imposition upon us of philosophies which simply will not work in our city. We are committed to racial and sexual equality; we are committed to aid the poverty stricken, and disadvantaged, the aged, the unschooled, the unemployed; we are committed to improve the quality of life for all persons. We do not need advice on what we ought to do. We need a booster shot to make it possible for us to do it!

Our experience indicates that decentralization of the Federal bureaucracy is working. Region V eyeballs us and tells us as it is, without obfuscatory global references, and without passing the buck. Some of the answers we don't like, but being told "no" is not damaging to our corporate psyche, and being told "yes" is appropriate reward for our efforts.

The present system of categorical grants is unworkable on a daily basis. We do not oppose *all* categorical grants, but we strongly support the Special Revenue Sharing concepts of the President in the areas of better communities, manpower, education and law enforcement.

It has been said that gentlemen prefer blondes, but observation indicates that most men marry women other than blondes. We want the right, and the concomitant responsibility, to and of, making our own choice.

Yet we acknowledge that our choice must serve the national interest. We are willing to endure the hardships of transition, because we see a better tomorrow. We are willing to live with temporary austerity because we see future prosperity.

We have confidence that the Federal Government will respond nationally to our transitional problems, saving the best of the old as a foundation for the building of the new.

The categorical grant concept, excellent in theory, has not met the needs of the cities and their people. Without a change of national purpose or goals, we urge the adoption of Special Revenue Sharing and the further implementation of decentralization as better vehicles for delivery of the national purpose, as better mechanisms for the attainment of national goals.

Our worry should not be what is cut, or how much, but rather how quickly can we develop a system that places opportunity and responsibility in the hands of local government.

We should be measured by productivity and accomplishment, not by influence and grantsmanship. We believe that local government has both the accountability and the capability to do the job. Shall the work be done where it can meet the test of public acceptance or rejection, or shall it be done at the Federal level, insulated from accountability to the public? We say that we can do it—you believed it when you passed the General Revenue Sharing legislation. You knew that the Washington approach, however many its accomplishments, did not meet or satisfy either the anticipations of our citizenry, or the anticipation of the Congress. We urge the Congress of the United States to demonstrate its faith in the people of the United States, and in their locally elected governments, by passing the Special Revenue Sharing proposals of President Nixon, and by proceeding with the decentralization and reduction of the Federal bureaucracy.

Senator Muskie. Thank you, Mr. Mayor.

Mayor Lugar. Mayor Allen.

STATEMENT OF HON. THOMAS P. ALLEN, MAYOR OF OLYMPIA, WASH.

Mayor Allen. Senator Muskie, I would say, to begin with, that I enjoy a unique position here because I represent the smallest city to be represented by a mayor. My community, my city, Olympia, the State of Washington, is the capital city of the State of Washington and, in our corporate limits we have slightly less than 25,000 people, so when I speak I am speaking for the smaller cities.

My colleagues, Mayor Wilson and Mayor Moody, have well stated the general attitude of cities and the general concern of cities, and we concur in what they have said. The only difference between their problems and our problems is a matter of size.

In the smaller cities we tend somewhat to be parochial, and we tend to be somewhat self-reliant, we think, and we are not at this point concerned about any damage that the revenue-sharing program might do to us. We think we will be able to carry on without seriously hampering any of our programs.

We very much like the idea presented by the new federalism, the idea of putting responsibility back at the local level. We strongly feel that we understand our own peculiar problem much better than anyone farther up the governmental line can understand them. We would hope that the additional special revenue sharing can be actuated at an early date, and with this to carry us over the transition period, we are most enthusiastic about the prospects of being more in charge of our own destiny as permitted by the new federalism.

You asked me to comment on the President's budget. I am not totally enchanted with it because it is not, in my judgment, a balanced budget, but I think it is the best that can be done under the circumstances, and it is a budget that the country can live with and it is a budget that we can support.

And, finally, I want to thank you for inviting me to be here this morning. I consider it an honor to have been able to participate in these proceedings.

[The full statement of Mayor Allen follows:]

Prepared Statement of Mayor Thomas P. Allen

Gentlemen, Senator Muskie has asked me to comment briefly about the impact of the President's proposed New Federalism and his fiscal 1974 budget on my City. This I am honored to do!

Perhaps I should first explain that Olympia, State of Washington, is a small city. It has a population within its corporate limits of slightly less than twenty-five thousand beautiful souls. It is the Capital City of the State. To be candid, we like our small city the way it is and are not enthusiastic about a rapid expansion of our boundaries or our population with the attendant problems such expansion always creates. We feel that we manage our affairs in an orderly and appropriate manner.

Mostly all that I know about larger cities is what I read in the papers. And what I read inclines me to thank my good fortune that I am not involved in the kind of problems that the Mayors of larger cities have to face.

I am, however, convinced that all cities could better meet their obligations under the conditions of the "New Federalism" as proposed by the President. As I understand it, the new approach charged local government at all levels with a greater responsibility for their own destinies and provides a more flexible means by which they can meet these responsibilities. This is precisely what most of us have been asking for. We feel that we can manage our affairs in a creditable manner if we can acquire a greater authority in the decision making and the appropriate means to effectuate our decisions. This is what I see in the new alignment of funding and responsibility.

Federal Aid, as presently conducted, is addictive. Once you become accustomed to its soothing promises and frustrating deliveries, you may well have "withdrawal symptoms" when your source of supply is questioned. While I have been in Washington, D.C., I have had an opportunity to hear from the highest source that it is not the intention of the Government to "taper us off" so to speak. I am convinced that the supply of Federal funds available to meet local needs on an overall basis will not be diminished. In fact, it is likely that they will be more readily available on a sustained and increasing scale. Who can ask for anything more?

Most of my people recognize that Federal money is not "free money." That it is in fact their own tax dollars that are returned to them after having been shrunk substantially by the Administrative procedures of the Federal bureaucracy. They welcome the thought that they may be able to benefit from their contributions to a greater extent if the "cut" of the administrative costs of the bureaucracy are diminished.

One of the essential ingredients to the successful fulfillment of any program, public or private, is the sustained enthusiasm of those responsible for its accomplishments. It is indeed difficult to maintain any great degree of enthusiasm for any project when faced with the seemingly interminable delays involved in the procurement of Federal aid funds. We are hopeful that the new procedures will reduce this "lag time" substantially. I personally would prefer to be advised "notice" rather than to be kept on the hook, so to speak, over long periods of time.

Now if I may, a brief word about the Budget. I am greatly concerned when the outgo exceeds the income in my own personal budget. I am even more concerned when the Federal Budget proposes spending greatly in excess of income. My greater concern at the Federal level is occasioned by my inability to do very much about it. I have to believe that it is rank hypocrisy to bill ourselves as a wealthy Nation when we don't raise enough money to pay our bills.

It seems to me that there is very little mention of the magnitude of the Federal debt at this time. Perhaps even the news media are a little embarrassed about it. One of my grandsons was born with a worried look on his face. I suspect that he had advance information about the share of the National debt he was due to inherit. In my judgment he had good cause to be worried.

To sum up, let me say that I am convinced that the President's New Federalism offers the Cities and the Nation a much more workable method of meeting the requirements of our times than presently exists. Certainly our current procedures have not been an unqualified success. The new approach seems to me to be the way to go.

Secondly, let me say that it seems to me that while the President's Budget is not exactly balanced, as I would like it to be, it predicts a deficit of manag-

able proportions. All items considered, I believe it is about all we can accomplish at this point in time. I like it!

Senator MUSKIE. Thank you, Mr. Mayor.

Mayor LUGAR. Mayor Maltester.

STATEMENT OF HON. JACK D. MALTESTER, MAYOR OF SAN LEANDRO, CALIF.

Mayor MALTESTER. Yes, Mr. Chairman.

It is a pleasure for me to be here. This subject has been covered pretty well by the mayors who have testified this morning.

Mayor Allen took my play away. Usually at one of these hearings I represent the smallest city in the United States. Now I have lost that position on the ballot, so to speak.

I have submitted at your request, Mr. Chairman, a written statement so I am not going to read that statement in the interests of time. There are just a couple of comments I would like to add, however.

It seems that in talking to the mayors of this country that their biggest worry now is the transition period between the Congress taking up and acting on a special revenue sharing bill, under whatever name they may call it, and the phasing out of the categorical grants. I think on this matter the mayors have started negotiating with the White House to see if this transition cannot be handled in a much more smoother way than they felt was going to happen, and I am happy to hear they had a meeting, I guess it was Tuesday or Wednesday, and came away with the understanding that the White House finally recognizes this problem and will work with them.

There were some categorical grants that I think we, at the city level, would just as soon see phased out. It surprises me that some of our mayors, if I might talk about the OEO programs for a minute, are the same mayors who criticized OEO's community action agencies, for leading the fights and marches on city hall, these same mayors are now complaining that the President has said that he is going to phase that part of OEO out.

But in reading the President's statement again you find that if and when special revenue sharing is adopted by the Congress that the local jurisdiction can fund their community action program. I think really what some of my cohorts don't like, Mr. Chairman, is they are going to get the heat right in the city hall as to whether or not a program continues and they are no longer going to be able to blame the Congress or the national administration if they don't like the way the program is working in their area.

I certainly know of your dedication to general revenue sharing. We all realize it was passed last year but it seemed as long as I have been around there has been a Muskie bill in the Senate on revenue sharing, and the Advisory Commission on Intergovernmental Relations bill was actually your bill, so I know that you are more familiar with the question of revenue sharing than any of us would be.

Also the Senate did adopt, at least to my knowledge, last year, a special revenue sharing bill that lost in the House.

I would hope, Mr. Chairman, that you would again take the leadership in drafting a special revenue sharing bill under whatever name

you feel is appropriate, and I hope that this time it passes the House.

I would suggest, however, that you be very careful on the formula for any special revenue sharing. Last year I had the opportunity to testify before a House committee. I guess I shocked them a little bit when I said their formula gave too much money to my city, and I will repeat this, somewhere along the line if special revenue sharing is going to take the place of categorical grants we have to make the formula so it takes up the slack in the core cities and not every little city, whether in a suburb or urban area get this money just because of a formula.

I think it is going to have to be based on need. I don't know how this could be done. One suggestion made to me was that each city would get a percentage based on the categorical grants they have had over the last 5 or 10 years or something. We have many cities in California that have never had a categorical grant and I think it would be disastrous if, just bcause Congress passed a bill that, because of a formula they would get a check in the mail, and that check would be coming away from San Diego, San Francisco, Oakland, or Los Angeles, and this, I think, would be very unfair.

Last year our city would have had somewhere around $400,000 if the bill had been adopted in the House. We didn't deserve that amount of money. There was no way—except that our money had to come from San Francisco, Oakland, or San Diego, and that is not the kind of money we want in the cities. We realize that need has to be the overwhelming consideration in any special revenue sharing formula.

So, as I say, many of us, myself in particular, feel that this whole question is in very good hands. You have done it before and we are asking you to do it again.

You got general revenue sharing through the Congress and one of these days, you will get special revenue sharing through, and you are going to find the mayors will be helpful.

Some of them are now criticizing but they are criticizing the unknown, nobody knows what you will put into a bill or what you will be able to get through the Senate. So you can rest assured, Mr. Chairman, that you will have the wholehearted support of the mayors of this country when you do get around to that type of legislation.

And thanks again for inviting me, and I hope to see you again this afternoon at the ACIR.

[The full statement of Mayor Maltester follows:]

PREPARED STATEMENT OF MAYOR JACK D. MALTESTER

Mr. Chairman, I am Jack D. Maltester, Mayor of San Leandro, California. My city is located in the San Francisco Bay area next to the city of Oakland, California. We have approximately 70,000 citizens in a fourteen (14) square mile area. Our zoning is approximately 50% residential and 50% industrial and commercial. In 1948–49 we had a population of 26,442 with a tax rate of $1.90 per $100.00 of assessed valuation and a budget of $845,639.00. In 1972–73 our population was 70,300 with a tax rate of 86¢ per $100.00 of assessed valuation and a budget of $12,326,223. This latter amount does not include the $541,000 we received from General Revenue Sharing. We are part of the San Francisco urban area and our social problems are mounting along with the other cities in our area.

It is an honor for me to have been invited to testify before you today on the subject of President Nixon's proposed budget. I do so with mixed emotions. The press stories seemed to leave the impression that I would be defending the

budget in contrast to the testimony presented on February 21, 1973, by the twelve (12) Mayors of the Legislation Action Committee of the United States Conference of Mayors. Most of the Mayors on that Legislative Committee are personal friends of mine so I am not here to challenge their testimony but rather to present a somewhat different viewpoint that is not only my own but is one that many Mayors and other local elected officials will agree with.

I have had the pleasure, Mr. Chairman, of working with you for the past six years on the Advisory Commission on Intergovernmental Relations and I know your dedication to General Revenue Sharing and your assistance in seeing it adopted by the Congress. Being on the Advisory Commission and being a past President of the United States Conference of Mayors I have become convinced that we must have grant consolidation. Certainly increasing the number of narrow categorical grants is not the way to go.

President Nixon has agreed with the Mayors that they not only needed General Revenue Sharing as new money but they also need the combining of narrow grants into special revenue sharing so that the red tape can be cut and the decisions on what has the highest priorities can be made at the local level. If I recall correctly the Senate adopted a Special Revenue Sharing Bill during 1972 but it failed to pass the House. I hope you will again adopt this concept and I also hope that the House will go along this time.

I feel that we all have the right to question and in certain instances attempt to modify any proposed budget no matter who submits it. I also feel that we must look at the entire picture and not just the parts we may not like. I will attempt to do just that. If you analize the complaints against the budget they fall mainly into two broad categories.

First, the elimination of some programs in the categorical grant system and

Second, the lack of funds for the transitional period between the phaseout and the implementation of Special Revenue Sharing.

As to the first, if we are honest, we will admit that some programs have been a dismal failure and should be eliminated. Some of us have not had the fortitude to do this and I compliment President Nixon for laying it on the line. One of the loudest complaints seem to be over the Community Action Agencies (O.E.O.). If you will recall it was not too long ago that many Mayors were complaining that these agencies were anti-city hall, were creating jobs for a chosen few and were not helping the poor. I can't understand why now some of the same Mayors are complaining over their elimination, especially in view of the fact that if they are sincere they can fund them out of Special Revenue Sharing. If we Mayors feel that a program should be saved even if its been mismanaged then it should be our responsibility to re-fund it under city management.

The second problem—that of transition—seems to be the most irritating and frustrating problem. I agree with the President that you can't continue broad categorical grants while trying to implement the block grant approach. If you do there will be many people that will expect that Specal Revenue Sharing will be in addition to the categorical grant.

The issue is how do we handle the transition period. There must be an adequately funded transition mechanism. It would be a fundamental error in intergovernmental relations to permit the move to improve Federalism fall-apart because of transitional funding. I have high hopes that the Mayors can negotiate on this subject with the President.

As I mentioned earlier in this statement, we appreciate General Revenue Sharing. The cities needed it and will continue to need it in the years ahead. Every argument in its favor is as valid today as it was when we were all working for its adoption. You have heard some criticism of it and you will continue to hear it.

It's an easy rut to fall into—in just being critical and failing to recognize and evaluate the over-all picture. Most critics of this new approach ignore the fact that Federal legislation specifically authorizes (State by State) local governments to work with State government to change the formula for the distribution of these monies. Instead of being "critically anti" of General Revenue Sharing, it seems to me that it would be more fruitful to devote some of these energies to develop an improved allocation formula that would provide greater assistance to the more critical need areas, such as our core cities.

With respect to "Special Revenue Sharing" many of us are falling into the trap of criticizing the unknown. We don't know what a Congress-approved Special Revenue Sharing Bill will include.

Since this is supposed to be "the Bill" that replaces categorical grants, cities have the responsibility to see that it accomplishes this purpose and that need is recognized.

In conclusion let me say:

Cities should not forget they asked to have a greater voice in the running of Federally financed Social programs.

Not all Federally funded programs have been effective in helping the poor and disadvantaged, and such programs should be re-directed or abolished.

When the total amount of money available from both "General" Revenue Sharing and "Special" Revenue sharing is known, and if we find that the sum is inadequate we ought to take a positive, constructive approach to see that adequate Federal funds are made available.

I would hope, Mr. Chairman, that the Mayors do not attempt to tell you where the necessary money is coming from in view of the proposed ceiling on total spending. Most of us Mayors and most of the citizens of our country are fed up with taxes and welcome a spending ceiling. Who gets what out of the total is your responsibility.

I cannot close this testimony without pleading with you not to let the rebuilding of Vietnam become a city problem. I am disturbed that this subject is being used in an attempt to justify more money for cities. We need more money but let's not confuse the issue. Please vote your conscience on help to Indo-China but keep it out of our domestic arena.

Having known you, Mr. Chairman, for many years I know that we in the cities will have your help and the help of your committee in trying to clarify the issues. You are assured that we local officials want to and will join in that effort.

Senator MUSKIE. Thank you.

Mayor Lugar.

STATEMENT OF HON. RICHARD G. LUGAR, MAYOR OF INDIANAPOLIS, IND.

Mayor LUGAR. Senator Muskie, I would like to summarize a few points of my testimony.

First of all, I believe that most mayors, those you have heard from before, and those you are hearing from today, privately share relatively the same assumptions about the status of cities. I am not certain that in our testimony this always comes through. In my first few paragraphs I have tried to indicate that for too long, in my judgment, the terms "urban crisis" and "city" have been used almost interchangeably. The objective facts of the matter are that conditions in an overwhelming number of cities in America are substantially better than they were 10 years ago or 5 years ago. I think that the trends are improving. This is important because to the extent that mayors cry "wolf" too often, the appeal to the Congress and to the country is likely to be less substantial.

Having said this, there are serious factors in the budget problems of some cities. I have cited a Wall Street Journal essay on New York City because New York City is often cited as having the most complex problems. Newark, N.J., and other cities have serious problems of welfare costs and serious problems of extreme militancy or employee organizations. These problems face each one of us in some ways, but face some cities with a great deal more severity.

I have suggested that the problems of welfare reform and the problems of group militancy by public employees are probably not identical with current debate on the Federal budget, although these problems are germane in a rough way. In short, to the extent that a city's

administration is unable to perform services due to a lack of successful labor negotiation policy with employees that holds costs in line, then, of course, there is no amount of money from the Congress or anyone else that will ultimately satisfy that condition.

Nor if welfare formulas are stacked against a particular area will anything you are talking about today ultimately solve that.

I appreciate that the Congress and the President have been at work diligently on the welfare problem and successful new policies would be a very great help in assessing new strength for cities in the same way as I have cited the Social Security changes, for example.

In my city of Indianapolis, $164 million was paid to citizens last year in social security payments. That is a sum that comes very close to the $200 million budget for all of civil government in Indianapolis and Marion County. The impact of those income maintenance aspects of the budget, whether proposed by the administration, mandated by Congress, or a combination of the two, is very substantial and should not be obscured in the debate on specific programs that have been terminated, wound up, or consolidated.

Having said that, I am convinced, on the basis of visiting with the mayors who are with me today and others, and with administration and congressional sources, that we are going to have enough money in cities to provide for continuation of the model cities programs even through the 30th of June of 1974, and for manpower programs as they are wound down or consolidated.

In essence this critical interim gap problem is within the realm of possible solution if mayors and city councils are prudent, and if there is the cooperation on the part of the National Administration which has been promised to us.

I think this is important to state because there has been fear and anxiety that an interim period was at hand in which a number of people who are now employed in emergency employment programing would be terminated and a number of community activities covered now by model cities or planned variations would be wound up in a peremptory way. I am convinced that this will not occur.

The community development revenue sharing bill and the revenues that would come from this legislation will probably offer formulas that are more generous than moneys we are now receiving. Therefore, the interim period, the next 16 months is the critical period. In each of our cities, we are husbanding our funds and trying to make certain that we are doing the right things so that we have continuity of policy as opposed to emergency dropoffs.

This is the essence of my testimony this morning. We are grateful that you afforded us this opportunity to express in our own ways, these practical considerations about the cities that we represent.

[The full statement of Mayor Lugar follows:]

PREPARED STATEMENT OF MAYOR RICHARD G. LUGAR

Most cities in the United States of America now offer more opportunities for meaningful lives in the midst of a stronger financial, social, and cultural fabric than we have enjoyed before in this country. This assertion does not ignore the weight of commentary which has used the term "urban crisis" interchangeably with "city" and conjured up an image of runaway crime trends, affluent citizens in flight from the city and needy citizens entering the city, decline in

tax base and tax revenues at the same time that health, education, and welfare requirements of the needy escalated, and the alleged failure of local government to manage the monies, priorities, or politics of the situation.

A number of city watchers have noticed that the tax base of almost every large and medium-sized city in the country has a healthy trend of growth with the growth more pronounced when assessments of property are reasonably timely, accurate, and honestly sought. Revenues obtained by cities from local, state, and federal government sources continue to move sharply upward. Crime rates for most cities have been declining for two years. Air and water pollution control programs at the local level have achieved dramatic reductions in various counts of pollutants. Per capita income in most cities is up sharply as are employment trends for veterans, young citizens, and minority group citizens.

The conventional urban crisis analysis has been invalid for some time, but serious questions about delivery of services to individual American ctiizens have continued to stimulate the constructive concern of President Richard M. Nixon and the Congress of the United States. The quest for New Federalism is motivated by the importance of finding how government at federal, state, and local levels might produce a stronger fabric tailored to the variety of situations abundant in a very large and complex nation.

Many categorical grant-in-aid programs initiated at the federal level have achieved good results. The number and complexity of these grants and their guidelines have led many students of government to suggest that several grants should be combined into broader classifications such as community development, education, and law enforcement and that states and cities should make choices on priority expenditures to meet state and local objectives within the broader categories.

Furthermore, the President and the Congress have enacted General Revenue Sharing and distributed federal funds with very few guidelines to allow state and local governments to achieve additional objectives, over and beyond services of the past. In my judgment, local Revenue Sharing decisions have shown the wisdom and prudence of local government and long-time advocates of General Revenue Sharing will be vindicated in their support.

Current controversies swirl around the charge that General Revenue Sharing is a substitution of monies given with one hand and withdrawn with another hand of federal budget making.

In fact, the President's budget proposals reflect increases of 20% in Social Security benefits, federal assumption of welfare responsibility for the aged, the blind, and the disabled, $3.5 billion more for Medicare and Medicaid, $200 million more for the education division of HEW, and a 9% boost in funds for Head Start.

These budget facts are relevant to the health of cities. In Indianapolis, for example, $164 million in income maintenance payments were received last year, a sum which dwarfs all other impacts of state and local governments and approaches the total $200 million budget of all local civil government agencies in our city of 821,000 citizens.

Even if federal outlays to Indianapolis were cut for many social programs, the impact of income maintenance, and health and education payment increases would more than offset all of the alleged cuts and our total income would have increased sharply.

The President has not proposed a budget harmful to cities. The special revenue sharing legislation, when adopted by the Congress, will provide additional monies to my city over and above the current receipts for Model Cities, Community Action Against Poverty activities, and miscellaneous categorical grants which are to be consolidated.

In brief, our local government will have more money and much more authority in designating priorities, and a stronger national income climate in which to work given substantial changes in overall social security compensation entering the local income stream.

Critics of cities and of local governments may question the talents of local administrators or their sense of compassion in recommending expenditures for poor people and minority groups. I do not share that skepticism, but even if I did, I would argue that at some point in our country's history we shall need to recognize that local democracy is a more dependable provider of continuing services than federal mandates which become tenuous when stretched from coast to coast, often beyond good observation for even and impartial enforcement.

New Federalism attempts to stimulate effective response to vital questions of public safety, health, education, and the environment which can only be de-

livered by local citizens even after national goals have been enunciated by the President and Congress.

I have contended that a large majority of major cities are strong and healthy. Some cities have serious budget problems which need careful analysis. A recent *Wall Street Journal* essay offered evidence that budgetary problems faced by our largest city, New York City, are principally the result of inability to meet rising welfare program payments and the escalating demands of more militant public employee groups. These two factors can be noted in many other cities suffering budgetary problems.

The President and the Congress have been working to meet the national emergency posed by welfare payments. The problems of local administration cannot be solved by the President or the Congress through the current budget or any subsequent funding plans. Strengthening the hand of local governments might assist their ability to reform local conditions.

I am grateful to the President for a budget which is a thoughtful financial plan for this country as a whole and for cities in particular.

Senator MUSKIE. Let me thank you for your testimony, and let me make a few observations because I think that you may not have focused on what is the real nature of congressional concern about this problem. Mayor Moody said in his written statement, "We are committed to racial and sexual equality, we are committed to aid the poverty stricken, the disadvantaged, the aged, the unschooled, the unemployed, we are committed to improve the quality of life of all persons."

I don't challenge the proposition that you five are committed to these goals, but my experience in 25 years of public life in local government, State government and in the Federal Government is that all Americans are not all committed to those objectives. If they had been, we wouldn't be here discussing these categorical aid programs.

The fact is we have not all been committed to these goals, and I doubt that all mayors and all city councils, and all boards of selectmen, and all county commissioners are so committed. That there is a greater thrust in that direction now than there was 15 years ago I would agree. But that there is commitment among all who labor in the vineyard of all three levels of government I would not agree. It is certainly not true in the Congress, it is certainly not true here in Washington.

So we have developed categorical aid programs and, contrary to the impression, it has not been easy to sell them to the Congress.

When I first came to the Congress, the Federal Government was spending $50 million a year on waste treatment facilities. It has taken us 14 years to get that level of Federal funding up to the point where it met the problem. Last year's bill provided $18 billion over 5 years for that purpose, and the President has impounded half of those funds. So it took 14 years even in that very attractive and politically sexy field to get the Congress to enact a categorical aid program that met the problem.

Since 1959 the total Federal categorical aid support has risen from something less than $5 billion a year to something more than $40 billion a year. Why? Just because a majority of Members of Congress liked to throw away money? That hasn't been my experience. Getting majorities for these programs has been tough sledding, but the support has risen because of the pressure from the problem areas of the country, which means your cities, to provide the resources necessary to meet these problems. And really putting categorical aid programs together began 40 years ago. We are talking not about dismantling something that was part of the Great Society, but something that has been 40

years in the building. Indeed the first grant-in-aid program was enacted in Abraham Lincoln's time. That is, I think, an important perspective, not only from the problem point of view but from the political point of view. When you try to shift the political forces that have produced this into a different direction to achieve a different result, you must be concerned with whether you can convert the majorities that were put carefully together to support categorical aid programs to majorities for special revenue sharing which has not yet been defined by this administration.

From a political point of view can you do it, or in the process of shifting are you likely to lose the whole ball of wax? That concerns me. As Mayor Maltester has pointed out, I have been for general revenue sharing not from the beginning, because I had to be persuaded first, too, but I was persuaded earlier than most and, I may say, long before President Nixon was persuaded. I was talking about block grant consolidation of programs before I think it had even occurred to him, and I introduced legislation to achieve that before he ever made a recommendation to the Congress.

So those ideas are not new. But it has been tough to convert the political support for the specific programs to the broader ones.

Now, where do we find ourselves? The President sold, and the Congress bought, general revenue sharing on one set of assumptions, that this was to be free, new money. I was part of the political coalition that put general revenue sharing together so, I am just not going to believe the double speaking which now says that that promise was never made. It was. And it is important to understand that because it is affecting a lot of Members of Congress who supported revenue sharing reluctantly. A lot of them who supported it philosophically now see the way the President is handling it and wonder whether maybe they were wrong.

I say to you gentlemen that general revenue sharing is in jeopardy. If it had not been authorized for 5 years, if it had to be authorized again this year, you would be in trouble. Another point to be made is that a lot of Congressmen and Senators who were opposed to it, thought from the beginning that if the cities received this money they ought to direct it at social problems.

You and I know that was not the assumption. Social problems were one of several permitted areas. In any case now those Senators and Congressmen are saying, "Look at how they are spending the money." Cities are not spending this money on social problems but are spending it on capital equipment and nonrecurring items. They are not addressing their social problems. So opponents and skeptics are using that argument against general revenue sharing. Then when the President now says, "Well, you ought to spend this general revenue sharing money for the poverty program or for some of these other programs," the whole picture of general revenue sharing is clouded.

When you try to sell special revenue sharing on top of it, you have a tough political chore.

I make that point in order to indicate that what you face in the Congress is not simply a feeling that they don't trust those who administer the affairs of State and local government I don't think that is a widely prevalent idea. What is prevalent is the historical fact that it

has not been possible to focus the Nation's resources on national social problems through the fragmented institution of local government—not because the motivation is bad there. It is true that many local governments don't have the capability, for one reason or another, but that has nothing to do with motivation or commitment. For a number of reasons they have not developed the capabilities but they are beginning to and, I think, that is encouraging. I have felt for a long time that the Federal Government ought to stimulate that capability at the local level and that we ought to try to get them to move forward on a regional basis. I think there is great promise in some of the trends in local government at the present time.

I would like to focus on some specifics of the President's program. You have mentioned that the mayors are concerned about transition and about funding.

I would like to talk about funding. The total impression I get from you gentlemen is that all you are talking about are cuts maybe of the magnitude of 10 or 15 percent and that you can manage. This is quite a different picture from what I get from other mayors and what I get from my own State. I think you must focus on funding not as something that will go away. Because if you buy special revenue sharing and all of the funding implications of the President's budget and impoundment policies, you may find that you accept cuts of a greater magnitude than what you are talking about here this morning. And once you accept them, it may be difficult to restore them because the President is playing a political game with the Congress. He is trying to convince the country that he is a responsible spender and that the Congress is a reckless spender. If he makes that case convincingly, and if he does it by cutting urban funds, and if the political pressure he generates persuades Congress that maybe the politically sound course is to cut urban funds, and Congress takes that step, you may have reached a plateau you do not like.

Let me read what Governor Jimmy Carter of Georgia says. He is not a wild-eyed liberal. He said:

"I consider myself a fiscal conservative. To me the essence of that conservatism is an orderly, logical and planned approach to problems and to the allocation of public funds. The present Federal system actually encourages a cavalier, unplanned and wasteful attitude toward Federal dollars."

I wouldn't quarrel with that.

Governor Carter continues: "I prepare budget projections 5 years in the future. Of our $2½ billion 1974 budget about three quarters of a billion dollars are Federal funds."

He made these comments in a very visible speech before the National Press Club here in Washington attacking the cuts as unconscionable.

I have more detail at the moment from my own State, and we are not talking about just a few program cuts. The President's housing moratorium will affect 50 percent of Maine's annual housing construction. That is not minimal, and that goes to a very basic human problem.

With respect to waste treatment facilities I think the cut has been more than 50 percent. That is a very basic one, and you and I have been fighting that fight for a long, long time.

I just read a Maine newspaper yesterday which said that 50 percent of the State Library's funds will be cut by reason of the Federal cuts. The State Library finances the bookmobiles that go into rural areas where there are no libraries and no access to good books. Eighty percent of that bookmobile program is going to have to be cut because of the withdrawal of Federal funds. The library programs for the blind and for the disabled are also going to be cut.

That one program is half a million dollars a year, and nobody has even talked about library cuts in these hearings up to this point. I just saw the story yesterday.

Each day that passes we see the implications. Let's look at special revenue sharing. The President has proposed four special revenue-sharing programs. In his 1973 budget he proposed for those four areas $9.4 billion. In his 1974 budget he has proposed $6.9 billion. That is $2.5 billion less than he proposed a year ago.

What does that reduction reflect? The proposed funding for the urban community development special revenue-sharing program is $2.3 billion. We haven't got a hard figure on what that replaces, but it is in excess of $4 billion. Now that is a substantial cut. And the President includes in this year's bill programs that last year's bill didn't cover with the same amount of money.

One of you testified this morning that you were reassured by Mr. Lynn that it would be a matter of weeks rather than 18 months before the administration's proposals to replace various subsidized housing programs would be presented. The column written by Secretary Hyde that appeared in the Washington Post last week indicates they are not going to provide any more money for that 18-month period. They say there is $5.7 billion in the pipeline and that ought to carry through. The point is that pipeline money does not cover any new starts in that period. It just means liquidating the Federal Government's obligations incurred by the new starts of the past, and yet you are reassured by Mr. Lynn's statement. Well, who to believe, Mr. Lynn or Mr. Hyde. Mr. Hyde defended the budget on housing in a column.

The other side of the case was presented by Mayor Gribbs of Detroit who revealed what that $5.7 billion really is. Mr. Hyde talked about it as if it were new money for new starts in the pipeline previously authorized and appropriated and that you don't need any more action by the Congress. Mr. Gribbs, who is on the firing line, says that isn't new start money.

All I am saying to you is that what the Congress is trying to identify is the impact on your budgets. Politically you might get this result: Congress understands that there is political sex appeal in the idea of a Federal budget ceiling, so the President proposes $269 billion. Why shouldn't we go him one better, $265 billion or $262 billion. If you gentlemen convince us that you are satisfied with the funding the President's budget proposes for domestic programs, we don't have to fight to change them. Maybe what we will do is reduce military spending, which ought to be cut because it is more than the last year of the war, and beat the President on his ceiling and come down to what you say you are comfortable with.

Do you want that? Those are the questions that the Congress is considering.

There is one other point that I would make and then I would like to ask you some specific questions. I apologize for the filibustering but I think that understanding the congressional attitude is important to you mayors, and I have worked with some of you for a long time and I know I can speak frankly and bluntly. Governor Carter said this, and I read it once before:

"The essence of that conservatism"—that is his conservatism—"is an orderly, logical, and planned approach to problems in the allocation of public funds."

As I have said before, I am for the triad approaches to the new federalism, which we used to call cooperative federalism. General revenue sharing, block grants, categorical grants targeted on those national problems that might be neglected in the absence of a Federal effort—those three, I think, ought to be the three points of a Federal policy to move into a new relationship among the three levels of the government. But it ought to be done in an orderly, logical and planned approach.

When the President terminates programs by impoundment, that is the opposite of an orderly, logical, and planned approach. It is not a response to a rational definition of a new approach to the problem but simply a reflection of the President's views of what the budget imperatives are. That is not a good way to shape new programs and new policies. When he relies not upon budget recommendations to the Congress, followed by the budgetary review of congressional committees, but upon administrative fiat to cut programs before the Congress can get it, again he is abandoning the orderly, logical and planned approach.

Mayor Maltester was right on target with respect to the change in attitude of mayors toward OEO, and I think almost everyone who looks at that program recognizes that it needs reshaping and redirecting. But gentlemen, the President signed a 2-year extension of OEO into law last fall, presumably to give all concerned a chance to give it that kind of orderly, logical, and planned review and reshaping. Then in January of this year he hires a man to direct the program who says he relishes the task of dismantling it and he is going to get it done before July 1 of this year. Again, that is not an orderly, logical and planned approach.

There are two things wrong about this approach. One is that it is not orderly and logical, and second, that in the process you risk destroying the political support you need to shape your new approach. What you have is an angry Congress, angry mayors, angry Governors, angry legislators when what you ought to have are all these people working together behind a Presidential initiative, if you will, to reshape the mechanism.

You talk about confusion, Mayor Wilson. I agree there is confusion, but who helped produce it when the President just used the meat ax down through the middle of social programs, and we still don't know what the pieces are.

As soon as we knew this was the approach in January, I asked Governor Curtis to identify and to give me the dollar costs of the pieces in Maine. So he has been on a search ever since, because the Federal presence consists of the State level, the local level, the county level.

nongovernmental institutions, and private charities in direct relationships with nongovernmental units of one kind and another, and because it is being withdrawn in all of these places, identifying the pieces and the costs of the impact in human terms is time-consuming. The Governor hasn't yet finished that job for Maine, which is a State of 1 million people, fairly simply organized.

If we can understand what is happening then maybe we can start putting it back together again, but we are going to need your help.

If your aim is to persuade us that you are comfortable with what the President has done, and that you will not challenge it in any way, but simply accept it, that is going to be easier to sell than general revenue sharing or special revenue sharing or any additional aid for cities because this Congress is looking for a way to beat the President politically as well as in terms of solving problems.

Mayor Wilson, may I ask you, were you really assured by Mr. Lynn's statement to you on housing? Do you have more to tell us about the specifics of his assurances than you told us this morning?

Mayor WILSON. No, Mr. Chairman. It is, I think, clear from the tone of most of the presentations that you heard this morning that the reaction of the mayors and the official statement of the National League of Cities Board of Directors is one of concern that there be adequate funding through the transition. The assurance that we had from HUD Secretary Lynn was simply that it will be a relatively brief period of time before the administration's proposals are unveiled. Now he did not pursue that, and we are in the position of having to await the actual outlining of the proposals.

Senator MUSKIE. Did he imply that there would be a supplement to the budget to cover housing programs that are not now provided for in the budget?

Mayor WILSON. No, sir. He simply said it would be a period in the near future when the actual replacement proposals would be before us. But I think he did imply that there was not going to be a moratorium upon housing programs for the 18-month period as had been suggested by a number of comments earlier in mid-year by a variety of persons.

Senator MUSKIE. Is there the implication that they are going to unfreeze frozen funds?

Mayor WILSON. I think that there is an implication that there would be some money made available. Now, again, he obviously did not disclose either the form that these proposals would take or what the level of funding would be.

Senator MUSKIE. We will await that with interest, then, because the indications up to now before your statement were to the contrary. If he unfreezes some funds, then maybe all of this furor has done some good.

I think most of you have said that you are satisfied with the funding even though it represents some reduction and that the budget is one that you can live with. Have you really examined the budget?

For instance, have you focused on the figures I gave you on special revenue sharing? I pointed out that the President's recommendation for the four special revenue-sharing programs is \$2.5 billion less this year than it was last year. Had you focused on this reduction of more

than 25 percent in the areas covered by special revenue sharing, Mayor Maltester?

Mayor MALTESTER. No, we have not, Mr. Chairman. I think it is quite clear that this whole question of your special revenue sharing or your combining it with some categorical grants is that we really haven't had anything presented, we don't know, frankly I don't know, what the administration would propose. I haven't any idea of what any of the committees of Congress are going to propose. I think what we are saying is that when that legislation starts to take shape, then we would certainly insist, to the best of our ability, that adequate funding be provided within that legislation.

Senator MUSKIE. But, you see, when we get——

Mayor MALTESTER. What we are being asked to do now, as I said, we really are being asked to criticize the unknown. Although he may have asked, the President may have asked for a number of dollars that does not mean that is what the Congress is going to do.

Senator MUSKIE. When you talk about numbers it isn't unknown, it is in the budget.

We have had an analysis made of the President's budget for urban community development. Now these figures may come as a surprise to you. I have used the figure $2.3 billion but if you examine his proposals it will not be until 1978 that you reach that level. The idea that you will have $2.3 billion with which to set your own priorities in fiscal 1975 and thereafter is simply wrong in terms of the President's budget. You will really have $600 million in new money in fiscal 1975, $1.7 billion in fiscal 1976, and $2.2 billion in fiscal 1977. That is the only money that you can use as you see fit out of the President's better communities program.

The rest of the community development money you will receive in those years will be money to fulfill existing commitments. You ought to focus on the fact that we are talking about $600 million for fiscal 1975. And your testimony, and I may have the wrong impression of it this morning, treats it as a detail that does not particularly concern you. Is that a correct impression?

Mayor MOODY. No, sir.

Mayor WILSON. No.

Senator MUSKIE. There is also the question of transition money. I think that most of that special revenue-sharing money won't be available at all until fiscal 1975. That is 18 months, and I don't know of any provision to fund in the meantime. Perhaps you have been told something about that transition period that we have not been told.

Let me say something about my own attitude. I am for these constructive ideas, but I will be frank to say to you I am reluctant to press them if by doing so I am pressing what I believe to be the President's inadequate concept of what they should be.

Why should I sell special revenue sharing if it is going to come out the way I think the President is selling it because I don't believe in it the way he is selling it. I am for it and I am for you having it but not the way he is selling it.

How do we come to grips with that problem? You have to decide whether you like my concept or his, not because I oppose it as a matter of personal choice, but because it takes a long time and a lot of

political effort to sell these things to a Congress. We would like to believe when we finally put it together that we have something we want, and right now I don't think we have the climate to achieve it. That is my feeling, and I am willing to work at it, and my way of working at it is to try to surface these issues so that we can see the outlines of what the President is talking about. And forgetting partisan rhetoric, I just don't know what he is talking about in special revenue sharing. I think "special revenue sharing" is a misnomer. I still think block grant is the best way to do it, because what we have always talked about, Mayor Maltester, was flexibility within targeting of broad areas.

For instance, the first Federal aid to education I ever supported, ever voted for, in 1960 was an education block grant. There were absolutely no strings attached to it. It was money that was going to be sent to the State and local level and they were going to decide how to spend it. And it passed the Senate but failed in the House and it failed because it was opposed by the conservative element of the Congress which wanted these programs tied down to categorical strings. It was the conservatives, and the Nixons of that time, if I may use a little analogy, who opposed general revenue sharing. Mr. Nixon was a part of the Eisenhower administration that opposed it.

I know you gentlemen have other commitments, and I don't want to hold you too long. The sense I get from reading through your testimony and listening to what you have said makes me doubt that this group of mayors and I are very much apart about what we want to achieve. I hope that I have made some observations that are helpful to you in understanding my attitude and my evaluation of the political situation in the Congress so we can get the support of the mayors, the Urban League and all the others, not in a partisan manner but the support to do a decent job of reshaping the Federal structure. That is my objective.

I am delighted to have you here. I visited all your cities in the course of my peregrinations of the past 4 years. I enjoyed visiting them all, and will enjoy visiting them again but not for the same purpose.

Our next witness this morning is Mr. Vernon E. Jordan, Jr., executive director of the National Urban League.

Good morning.

Mr. JORDAN. Good morning.

Senator MUSKIE. I appreciate your willingness to come.

STATEMENT OF VERNON E. JORDAN, JR., EXECUTIVE DIRECTOR, NATIONAL URBAN LEAGUE; ACCOMPANIED BY RONALD BROWN, GENERAL COUNSEL

Mr. JORDAN. Thank you.

Mr. Chairman, as you have indicated, I am Vernon Jordan. I am executive director of the Urban League. I am accompanied at this table by Mr. Ronald Brown who is the general counsel of the National Urban League.

Mr. Chairman, assuming that the revenue-sharing concept was not tied to cutbacks and impoundment of Federal funds on a large number

of existing social service programs and Federal regulations provided for adequate civil rights protections, it would still pose significant problems for minorities and the poor.

The fact is that local governments have not responded to the concerns of the less advantaged. The primary reason why the vast majority of social service programs were instituted by the Federal Government in the first place was the recognition that most local governments lacked the will, resources, and knowledge to deal with the problems of poverty and the disadvantaged effectively without national initiative and support. Of course, many of the categorical grant-in-aid programs enacted during the New Deal and afterwards did not represent a radical departure from the concept of local control. Indeed, in many cases, basic benefits such as public housing, food, health assistance, and welfare assistance to families of the unemployed could not be made available at all unless States and local government approved.

The concept of local control over the availability of Federal assistance has affected a great many people. But black people have special knowledge of what local control really means. In the South, local control over Federal benefits has meant that food assistance would be made available to black farmworkers only when their presence in a community would serve the economic interests of employers. All over this Nation, local control over housing benefits has meant that if black people can obtain decent shelter at all they must live only where States and local governments tell them to live.

We are now being told that this situation has changed, that local governments will be more responsive to the basic needs of their communities if given the chance and if freed from overburdening Federal controls. But where is the evidence? The preliminary results of this committee's own survey of 800 city governments' use of the first year's revenue-sharing funds do not indicate that this is true. It appears that few used the funds to support or improve basic social service programs. Many communities apparently will use general revenue-sharing funds to provide tax relief which will benefit principally the affluent. And the testimony of several Governors before this subcommittee confirms the view that many social and community service programs the Federal Government is casting adrift cannot be picked up and effectively administered by many State governments.

This attitude has been corroborated by a National Urban League survey of its 101 local affiliates. The majority of the local governments in the 74 cities from which we have responses are using the revenue-sharing funds primarily to initiate or supplement capital improvements. Such expenditures show heavy emphasis in the areas of public safety, law enforcement, water and sewage treatment, public transportation, and street and road repair. Only a minor portion of the initial funds will be used for social service programs. There can be little disagreement on the proposition that Federal grant-in-aid programs have had serious defects. But to say that the principal answer is more local control is akin to suggesting that a patient be cured by injecting him with a triple dose of the germ that made him sick in the first place.

I do not say that it is an undesirable objective to bring Government closer to the people; indeed, it is desirable. But to do this without

undermining the interests of the poorest and most powerless, we need to revert to an old idea—that of an economic and social bill of rights for all citizens. In his last State of the Union Message, Franklin D. Roosevelt concluded that a "Second Bill of Rights" was where the New Deal was tending and what the Nation had come to accept and he looked forward to further legislation to accomplish this after World War II.

While we have had much social legislation since that time, very little of it has said that a useful and remunerative job, a decent home, adequate health protection is something a citizen in this country is entitled to as a matter of right rather than as a benevolent dispensation of the State. If Congress would establish this principle now—after another war which has left veterans who need jobs and a backlog of unfilled social needs—we could make the concept of revenue sharing work. For then the question for States and localities would not be whether all citizens are entitled to a chance for a decent and productive life, but how best to meet these needs in the light of local conditions. But until this basic issue is settled—whether all our people are entitled to participate in the benefits America has to offer—revenue sharing, indeed, poses a basic threat to minorities and the poor.

Beyond the question of whether, under revenue sharing, basis social needs will be met at all is the issue of whether blacks and other minorities will be able to participate without discrimination in those programs that are offered.

I recognize that Congress has been concerned with this problem and that it wrote an antidiscrimination clause into the general revenue sharing law. But effective civil rights protections cannot be secured simply by a general proviso against discrimination. And the actions taken so far by the Department of Treasury in implementing the general revenue sharing law do not lead us, in the National Urban League, to believe that there will be an effective program to prevent discrimination. In spite of its antidiscrimination regulations, the Treasury has not given satisfactory responses to the following questions.

How will the Federal Government determine the actual use of revenue-sharing funds as distinguished from the use that State and local governments say they will make of the funds? Will the Federal Government prohibit discrimination not just in the specific use of revenue-sharing funds but in the programs to which they are applied? For example, will a city be allowed to use revenue-sharing funds to build an incinerator when sanitation services are not made available to all races on an equal basis? Will a city be able to use revenue-sharing funds to raise the salary of its firemen when blacks are barred from jobs in the fire department?

Even assuming that Treasury answers these questions favorably, how will it assure that its rules are carried out? Will it require cities and States to submit detailed racial data to demonstrate that their programs and services are not operated in a discriminatory manner prior to receiving revenue-sharing funds? Will Treasury have adequate procedures and sufficient manpower to check on compliance? Will it impose effective sanctions where violations are found?

So far, from our point of view, the outlook is not encouraging. Treasury has not said in its proposed regulations that it will re-

quire racial data adequate to demonstrate that programs are operated in a nondiscriminatory manner. The budget commitment made by Treasury and the Office of Management and Budget provides for only 26 auditors nationwide to monitor all aspects of revenue sharing, with the civil rights share amounting to only a minuscule portion of even that small commitment of resources. And while the proposed regulations contain a general authorization for the use of civil rights staffs of other agencies to monitor compliance, there is no assurance that they will be used effectively or at all.

Mr. Chairman, I would like to submit for the record the detailed comments of a task force of the LCCR in which the Urban League participated on Treasury's interim regulations.[1] While a few improvements have been made in the new draft regulations, the issues I have posed to you remain unresolved. Hearings will be held by Treasury on the proposed permanent regulations on March 26. We urge this subcommittee to monitor carefully the results of those hearings. If the Treasury Department is unwilling to adopt a workable plan for civil rights enforcement it may be necessary for Congress to amend the law to provide new safeguards. And certainly, the experience in civil rights enforcement under general revenue sharing will be instructive in considering the administration's special revenue-sharing proposals.

Mr. Chairman, what is at stake here is nothing less than the legal and social advances achieved by blacks and other minorities—advances made possible in part by enlightened congressional action during the 1960's. Under that framework, progress has been made, but a great deal remains to be done. We in the National Urban League believe that the effort must not now be abandoned.

Thank you, sir.

Senator MUSKIE. Thank you, Mr. Jordan.

We will, of course, accept the comments of the task force on the interim regulations. I take it they would include the new draft of the regulations.

Mr. JORDAN. They address themselves specifically to the regulations as presented and suggestions therein for improvement.

Senator MUSKIE. We welcome that and appreciate your submitting it.

In the original statement that you submitted, and which you modified this morning, you made some comments on some specific programs. I assume that your comments on them in your original statement are still relevant.

Mr. JORDAN. They are still relevant but we did not want to submit them at this time for reasons that we would like to keep to ourselves.

Senator MUSKIE. All right. I was hoping we might get some of your observations on such programs as the Emergency Employment Act, the Manpower Development and Training Act, the neighborhood youth corps programs, and so on, in terms of helping make the record on these budget cuts.

Mr. JORDAN. What we would like to do, Mr. Chairman, is to submit to this committee specifics based on the Urban League experience. For example, we do operate on-the-job training programs and we are di-

[1] See p. 475.

rectly affected by proposed budget cuts in that a recent order of the Department of Labor has taken from the National Urban League the categorical grants to operate those programs. Those programs will now be operated through the mayor's office and the mayor's office then will make the decision as to which agency, if any agency, will operate such manpower programs as are available. That directly affects us.

The notice was short in terms of the cutoff and, therefore, we have not had an opportunity to sufficiently analyze it to present it in a presentable fashion before this committee, but we would be happy to do so.

Senator MUSKIE. We would like to have that. We would appreciate it very much.

Have you been able to make an analysis at all of the extent of the administrative actions that have been taken to dismantle or to reduce the various poverty programs?

Mr. JORDAN. We have not, except that, you know, the basic information that we have is the basic information that we get from the regular media, and our big concern is that these programs are being dismantled because, for reasons of cost effectiveness, for reasons that maybe they have not done all that they have been designed to do. Our only view is that if OEO has failed, it is not the fault of OEO. It has failed because it has not been fully and adequately supported, and in the scheme of things it is still basically a very good program.

As an old OEO legal counsel in the South, OEO was an agency, it was a concept, in my view, with a great deal of promise, a great deal of opportunity for poor people, and for black people. Indeed, it was the first time, certainly in the South, that many parts of the communities, and this transcends race, had an opportunity to participate directly in the decisionmaking process about programs that affect their lives and I am personally concerned that this participatory democracy effort is being diminished and being taken away, being dismantled. But then, second, the participation and the decisionmaking as to what programs and how people in the community were directly affected by poverty can benefit from these programs, that too is being taken away, and I think that is cause for serious concern.

Senator MUSKIE. Has the Urban League addressed itself to recommendations to reshape the poverty programs?

Mr. JORDAN. We have not at this point, sir.

Senator MUSKIE. Are you planning to do so?

Mr. JORDAN. Agencies like ours, because of this Federal cutback, are dealing primarily with the issue of survival not only for ourselves but for the constituents that we serve. That is the basic issue. We hope to be more specific as to what ought to happen. What is very clear is that private resources or local or State governments cannot take up the slack. The funds are not there, the resources are not there, and indeed in too many instances, I think the will is very absent.

Let me put it another way: Depending upon where you sit and how you view politics in this Nation, these programs are perceived as programs to benefit black people, benefit poor people, and the fact of the matter is that these programs were basically designed and in their implementation have benefited all people, and I think that too few of us have looked at the real beneficiaries of these programs, and those

beneficiaries have not been exclusively black. They have been poor people, white people, and other minorities, and somehow it seems to me, Mr. Chairman, that if we can get over the notion, get over the perception, that we are doing a very good thing, we are cutting back on programs for blacks, programs that they never should have had in the first place, we have given them too much already so it is now time to pull it all in, and it seems to me that this is not what this Nation is about, and this is not what this Congress and this administration ought to be doing, to not just black people but to all poor people and all disadvantaged people.

Senator Muskie. There is another observation that I think it is pertinent to make. The rhetoric of criticism against these programs by the White House and the administration leads you to believe that the President succeeded a Democratic President on January 20 of this year. These are programs that he has had the responsibility for managing for 4 years. If they have been ineffective, they have been so in part because of the management of this administration. This President has had the responsibility for managing programs like OEO and others for 4 years, and when one considers how he has mismanaged other aspects of our society, maybe this is the reason that the programs haven't measured up to expectations.

Mr. Jordan. Well, there is another problem born out of the black experience, Mr. Chairman, and that is to the extent that we, as blacks, in America have achieved, it has not been because of local initiative and local willingness to right wrongs, from emancipation to voting rights, to the extent that we have achieved it we got it from the National Government. Consequently, we have little faith in the processes and the ability of local governments to overcome entrenched local interests to act in our behalf, and that gets, that takes us away from the philosophical debate.

My position is that black people cannot be philosophical about revenue sharing. We cannot deal with it in terms of the political scientists' notion about what is, how a system ought to operate. We can only deal from our experience and that experience is that if it was emancipation, if it was voting rights, if it was going to desegregated schools, if it was sitting at the lunch counter, we did not get help, we got resistance at the local level, and now we are being told to look to our local government to do those things that historically have been denied us, and we see that local government as insensitive to that basic need and that, of course, is a basic concern.

Senator Muskie. I appreciate your testimony, and I look forward to having you supplement it as we have suggested here this morning. We will be delighted to receive any recommendations you may have at any time.

Mr. Jordan. Thank you very much.

Senator Muskie. Thank you.

The hearing will be adjourned to resume on March 14, 1973, at 10 o'clock.

[Whereupon, at 11:25 a.m., the committee was adjourned until Wednesday, March 14, 1973, at 10 a.m.]

A NEW FEDERALISM

WEDNESDAY, MARCH 14, 1973

U.S. Senate,
Subcommittee on Intergovernmental Relations,
Committee on Government Operations,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 3302, Dirksen Senate Office Building, Senator Edmund S. Muskie (chairman of the subcommittee) presiding.

Present: Senators Muskie, Chiles, and Roth.

Also present: Alvin From, staff director; James E. Hall, counsel; Jane S. Fenderson, counsel; David E. Johnson, counsel; and Lucinda T. Dennis, chief clerk.

Senator Muskie. The subcommittee will be in order.

I expect we will have a busy morning, so we ought to begin.

I have a brief statement which I hope will serve a useful purpose in identifying some of the principal issues that concern us in these hearings.

Opening Statement of Senator Muskie

This week we will conclude the initial segment of the subcommittee's hearings on the impact of the President's proposals for a new federalism on the relationships between the Federal Government and State and local governments.

This morning's witnesses are three distinguished members of the administration. Hon. Caspar W. Weinberger, Secretary of Health, Education, and Welfare; Hon. James T. Lynn, Secretary of Housing and Urban Development; and Hon. Roy L. Ash, Director of the Office of Management and Budget.

Tomorrow we will hear from Andrew J. Biemiller, the legislative director of the AFL-CIO; and Sargent Shriver, former Director of the Peace Corps and the Office of Economic Opportunity.

We are pleased that Secretary Weinberger, Secretary Lynn, and Director Ash could join us this morning. We welcome them here and expect their testimony will make a significant contribution to the hearings.

But before they begin, I would like to relay a few concerns I have as the result of what I have heard during the first five days of these hearings.

First, the testimony we have received during these hearings has demonstrated a shared desire for certain broad objectives—less redtape, better delivery of Government services, more flexibility and discretion at the State and local levels.

However, we cannot separate these goals, which I share with the proponents of the new federalism, from the tools which this President is using to implement his programs.

I am concerned that the tools of the new federalism, spelled out in the fiscal 1974 budget, in Presidential impoundments, in program freezes, may result in a weakening of our national commitment to meet human needs.

Second, rather than providing for an orderly and logical course for reform of the Federal system, I am concerned that the administration's new federalism has had the effect of creating chaos and confusion at the State and local levels—of pitting one segment of a community against another in a constant battle for limited local resources.

Third, I am concerned that the principal impact of the new federalism will be to raise taxes. By forcing State and local governments to pay the bills for ongoing, heretofore federally funded programs, the President has, in my judgment, mandated increases in State and local taxes—property taxes and sales taxes—across the Nation.

Let us not be deceived by the rhetoric of no tax increase. If the new federalism is implemented, taxes will go up—State and local taxes which place the greatest burden on the least able to pay.

I understand, Mr. Ash, you will open the testimony. May I say that since you have expressed the wish to present all of the testimony you have before questioning, I will comply. I may ask a question now and then for clarification.

Please proceed.

STATEMENT OF HON. ROY L. ASH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. Ash. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee; I am appearing today at the request of the chairman to present the administration's views "on the impact of the President's proposals for a new federalism on the relationship between the Federal Government and State and local governments."

Accompanying me at this hearing are Secretary Weinberger of the Department of Health, Education, and Welfare and Secretary Lynn of the Department of Housing and Urban Development, both of whom will also present statements.

It is my understanding that the three witnesses will serve as a panel to answer the committee's inquiries.

THE NEW FEDERALISM

The new federalism, in its briefest compass is summed up in the President's often repeated words:

> A cooperative venture among government at all levels * * * in which power, funds, and authority are channeled increasingly to those governments which are closest to the people.

Fundamentally, therefore, it is a deep-seated commitment to bringing Government closer to its citizens, to restoring faith and credibility to Government to all levels, and to strengthening State and local

governments in ways that will foster the wise and responsible local level leadership, which gave this Nation so much strength and vitality in the earlier days of this Republic.

It is this basic concept which guides many of the policies of this administration, and which is reflected in the 1974 budget.

THE PROBLEM

The balance between the various levels of government has been upset in years past by the burgeoning growth of an extensive, fragmented and uneven Federal grant-in-aid structure.

The proponents of this approach sincerely believed that it would help communities and individuals meet urgent social and economic needs, and in some cases this has happened.

In others, unfortunately, programs became part of a highly centralized, confusing, and uncoordinated system in which Washington became the decisionmaker for literally thousands of communities across the Nation.

The President is determined to reverse the flow of power to Washington and to rationalize the Federal system by returning decisionmaking power where it belong: to the States and local communities.

THE IMPACT OF CENTRALIZING

While there are areas where national leadership has played a vital role, it is time to admit candidly that Washington paternalism is not the best approach in most cases where the delivery of services at the local level is concerned. There has been too much legislation promoted and put on the books which makes a Federal responsibility out of problems of every sort.

These programs are invariably accompanied by detailed manuals and reams of procedures which the States and local governments must follow. And they build up their own constituencies which then add to the difficulty of terminating or revamping worn out programs.

To be very specific about these problems, here are two examples:

In 1 year, seven different health care grants were awarded in Indianapolis to seven different agencies. The conditions of each grant required separate governing bodies, so seven different independent and uncoordindated boards were created. Only two of the agencies were under the control of Mayor Lugar, who testified before you last week: thus five of the seven grants were not included in his comprehensive health care plan—yet these five grants represented 75 percent of the Federal discretionary money spent in this area.

The Code of Federal Regulations has 1,200 pages devoted to the grant-in-aid programs of the Department of Health, Education, and Welfare. For each page of regulations there are approximately 10 pages of guidelines, which gives an astonishing total of 12,000 pages of Federal directives for local program managers to sort through, just for HEW programs alone.

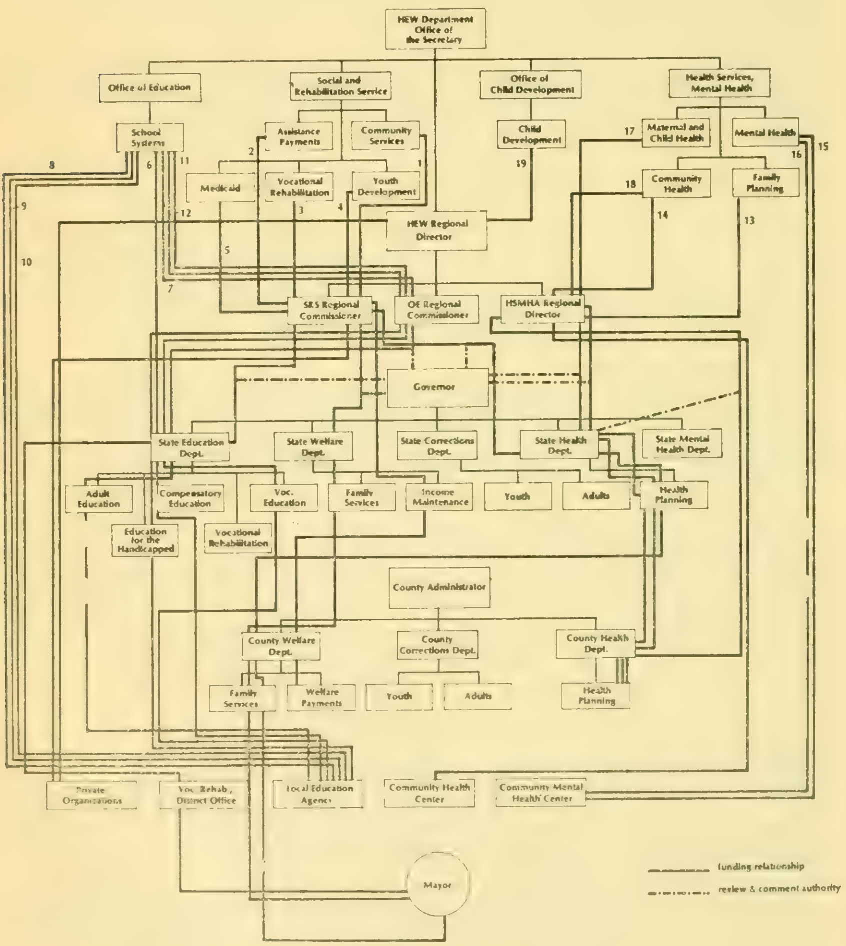
Another serious disadvantage of the categorical grant-in-aid system is that it isolates elected Governors and mayors and strengthens entrenched bureaucracies.

I have brought with me today a rather remarkable chart prepared by Mr. Thomas C. W. Joe, formerly a Special Assistant to the Under Secretary at HEW and currently a management consultant in the Public Practices Division of McKinsey & Co.

This chart on your left attempts to show the maze which faces a mayor when he seeks to develop a comprehensive program that cuts across a number of categorical lines. Joe chose the problem of school dropouts as an example, and found 19 HEW department programs which could provide funds to develop a local dropout prevention program.

The analysis does not include programs related to dropout prevention operated by the Labor Department or the Office of Economic Opportunity or other non-Federal programs at the State and local level.

[The chart furnished follows:]



Mr. Ash. The 19 HEW programs are administered by 4 agencies which do not coordinate their efforts and, in turn, pass money through to functional State and local agencies which also operate independently. Only three of the 19 programs, by law, can directly fund a comprehensive local dropout prevention program developed by a mayor or other officially-designated local agency seeking to integrate independently run programs. The local official has only his powers of persuasion to effect coordination among the other program operators.

The diagram shows that a governor has review and comment authority over four of the programs, and no ability to influence the others. The county administrator is without direct influence over any of the programs, although in some counties he might appoint the county department heads.

The particularly upsetting part of this analysis is that it could be repeated for program after program, with the same conclusion: that the chief elected officials, those who the voting citizens of States most readily identify as being responsible for the way public services run, in fact do not have the authority or influence to run these public services.

Given the situation I have described, it is scarcely surprising that people have begun to regard their government as remote and uninterested in them as individuals.

When one looks at how the system actually operates in many a community, it is easy to understand why in the late 1960's there was so much frustration, indifference and bitterness throughout the country regarding our total system of Government. As he came into office, President Nixon was determined to reform this system. This determination has been reinforced by the results of the recent election, and is clearly reflected in his 1974 budget and other policies of the administration.

REVENUE SHARING

The fundamental perception underlying the notion of a Federal, decentralized system is the basically pluralistic nature of this country. The kaleidoscopic variety of our society is an inherent part of its character and a large contributor to its strength.

It is difficult to deal effectively with this essential heterogeneity in Federal programs run from Washington. There are functions in which standardization is essential, and in these areas the Federal Government has done a sound administrative job.

The social security system, the annual income tax collection, and the decennial census are all areas we can agree should be and are handled most efficiently and equitably on a centralized basis as the responsibility of the Federal Government.

But when it comes to solving local domestic problems in areas like education, or job training, or law enforcement, Federal programs tend to be neither adaptable to special situations nor flexible enough to allow for experimentation and innovation.

The approach we have proposed, that of sharing revenues for both general and specialized purposes, will begin to return to the States and localities both the authority to deal with their problems in their own way, and the resources to make this authority meaningful.

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As the members of this committee well know, general revenue sharing is in place in 38,000 communities across the Nation. Although it is too soon to tell for certain how well this program is working, I do not share the view of those who doubt the competence, good faith, and political sensitivity of our local elected officials.

It is unarguable that the man on the spot, who has both an intimate knowledge of the people and problems and direct accountability to the voters for his performance, is more likely to make a good decision than is the Federal bureaucrat who, however well intentioned, is isolated from the problems by distance and from their outcomes by civil service tenure.

At this point, with your permission, Mr. Chairman, I would like to turn this session over to Secretary Weinberger to discuss education special revenue sharing, and then to Secretary Lynn who will cover the Better Communities Act.

At the conclusion of their remarks. I will add a few words on the Federal budget, and then we will all be open for your questioning.[1]

Secretary Weinberger.

STATEMENT OF HON. CASPAR W. WEINBERGER, SECRETARY OF DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Secretary Weinberger. Mr. Chairman, before I present my statement, I would like to say a brief word about your opening remarks which I hadn't had the opportunity to see before, and I would like to disagree strongly with you when you say that any form of tax increase is mandated or required by the Federal budget or administration programs.

The decision as to whether or not to continue certain programs that the President has decided are no longer useful or effective or satisfactory for their purposes or being well run, is entirely up to State and local governments.

The President has made his decisions, and there is no tax increase required. It will be entirely a matter of whether State and local governments attach a priority to these programs.

If they do, they can make the same kind of hard choices the President had to make. The thing the President has done that is revolutionary and extraordinarily beneficial is that for the first time he has concluded that we cannot continue doing everything we are doing, that we now have to make some choices, stop some things that are of lower priorities, select some higher priorities, and proceed with those.

So there is no reason whatever for any State or local governments to have to increase its taxes. If they wish to continue some of the programs the President has concluded the Federal Government no longer has responsibility for or should pursue, then State and local governments can do that, or they can follow the lead of the President and drop out of some of the things that they are now doing they conclude that they're lower in priority.

Senator Muskie. Are you through commenting on my opening remarks?

Secretary Weinberger. Yes, sir.

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[1] See resumation of Mr. Ash's statement, p. 257.

Senator MUSKIE. I simply want to clarify what I think is the difference between us, which I think underlies our discussion this morning.

The reason I make my point on the testimony we have had is this: Worthwhile programs have been cut. If you assume that all of the cuts bear only upon useless programs that are not worth continuing, then perhaps I would agree with you. But the evidence is clear that many worthwhile programs have been cut.

If my judgment is correct, and it seems to be supported by many mayors and many Governors, then continuing those programs in the face of Federal cuts is going to require State and local funding. State and local funding, I take it, will require State tax increases.

Secretary WEINBERGER. My point is that the State and local governments should make the choice between whether they want to continue everything that is in place and thereby force a tax increase on their people by their decision, not ours, or whether they want to make the kind of hard choices and selections and decisions that the President has.

I suspect that the high priority that many State and local governments have assigned to some of these programs derives entirely from the fact that they have been federally supported.

Now that the Federal support has been withdrawn from some of those, it will be essential and I think beneficial for them to go through the kind of decisionmaking, priority selecting process that the President has had to go through. State and local governments should decide if they want to have a tax increase because they assign an equally high priority to everything they are doing.

My point was that there is nothing that the Federal Government has done under this administration that forces or requires a tax increase.

Senator MUSKIE. My point is that the Federal Government has put the pressure of hard problems on the shoulders of State and local governments. You say very casually that they can avoid the hard problems, that that is a real choice and, therefore, they don't have to increase taxes.

I am saying those hard problems don't leave them that choice, and that a careful analysis by the administration of the nature of the problems would indicate that they don't have a real choice.

Failing that real choice, the pressure of the administration's action is pressure in the direction of increasing State and local taxes. We will get into that in greater detail because I have some areas of questioning. I think all we can do at this point is identify our difference of opinion, which is very real.

Secretary WEINBERGER. We have a clear one, because, as I say, I think we have the opportunity there for the State and local governments to go through exactly the same kind of decision process the President did.

I am appearing in response to your request to review for your subcommittee President Nixon's proposals for a new federalism.

My comments this morning will supplement those of Director Ash and Secretary Lynn, and will be directed to the President's proposals for special revenue sharing in the area of human resources.

This new system of special revenue sharing will be a means of providing Federal financial assistance for elementary and secondary education and of improving the responsiveness of manpower programs.

In his 1973 state of the Union message, the President declared:

> Rather than stifling initiative by trying to direct everything from Washington, Federal efforts should encourage State and local governments to make those decisions and supply those services for which their closeness to the people best qualifies them.

He went on to say that:

> If there is any one area of human activity where decisions are best made at the local level * * * it is in the field of primary and secondary education.

If we review the history of Federal education programs, we see that, as each problem area was discerned and defined, Congress responded with a separate education program responsive to the particular problem.

Clearly, these programs have had a profound impact on America's educational system. But there is a serious question as to how many narrow categorical programs can be added to the existing structure without swamping it completely.

The Office of Education now administers more than 100 categorical programs. To complicate matters even further, at least 26 Federal agencies also administer significant categorical programs affecting schools.

In theory these programs offer the potential for significant support of the local superintendent's program. But guidelines, regulations, reporting, and matching fund requirements ensnarl the educator in time-consuming trivia which is counterproductive to his primary goal, education.

There are other problems caused by the existing proliferation of categorical programs: Comprehensive, coordinated educational planning is made difficult or impossible because of our present piecemeal system of Federal aid; and the demands of grantsmanship often make it impossible for the smaller, poorer school districts to apply for or receive much needed aid.

This is a way of saying that those cities that apply for grants get the most regardless of need: There is little latitude under the present grant system to meet individual community needs; and the inflexibility of Federal programs means that we see money being spent on programs which may have outlived their usefulness, or that simply are ineffective, while funds for new ideas cannot be obtained.

The President's proposal for special revenue sharing is designed to overcome these problems by substituting a basic new approach to providing Federal assistance.

EDUCATION REVENUE SHARING

Education revenue sharing would revitalize the relationship between the Federal Government and State and local governments.

In order to provide better delivery of funds, education revenue sharing would replace some 30 existing Federal formula grant purgrams in the elementary and secondary field with a single program which would automatically distribute funds to the States by formula.

These funds would provide support for educational activities in broad areas where there are strong national interests in strengthening school programs such as compensatory education, education for the handicapped, vocational education, needed assistance in federally affected areas, and supporting services.

These would be the five broad earmarks we are proposing instead of the 31 or 32 existing programs that now virtually make a national school board out of the Congress.

Our education revenue sharing bill, which we will soon submit to the Congress, will allow a State flexibility in the use of Federal funds within its borders.

States would no longer be required to submit exhaustive plans for Federal review or Federal approval, but would create a comprehensive State plan for the use of Federal education funds.

The plan would involve genuine citizen participation in deciding objectives, establishing priorities, identifying resources, and establishing valid measures of success. There would be no requirement of submission of the plan to the Federal Government for approval.

In my view, one of the most significant aspects of the education revenue sharing concept is the new Federal role which will emerge as a result of this legislation.

THE FEDERAL ROLE

Let me comment, then, on what this administration considers to be the appropriate Federal role in elementary and secondary education. Our philosophy is based on three principles:

First, we believe that the primary responsibility for education must remain with the States and local school districts. The Federal role is to allocate resources on a broad and continuing basis to help them meet their responsibilities.

Second, the Federal Government must provide national leadership to help reform and renew our schools to improve performance. In so doing, local initiative should not be displaced or weakened, as it has been in the past.

Third, the Federal Government has a continuing responsibility to insure that equality, and quality education and opportunity are available to all.

I cannot emphasize too strongly the fact that the primary responsibility for education must remain with the State and local school districts.

Education revenue sharing would strengthen the first by providing a new system of Federal aid to our schools, the merits of which I have already discussed in some detail.

The new National Institute of Education is essential to the strengthening of the Federal leadership role in reforming and renewing our Nation's schools. So is a revitalized Office of Education which, when freed of the endless and repetitious processing of applications, would be able to provide much needed technical assistance to State and local school systems.

Education revenue sharing affirms and furthers our commitment to insure equal educational opportunities for economically disadvantaged children and for handicapped children. Working together in a new

and more balanced partnership, the Federal Government and State and local school systems can bring about a new era of equal and expanding opportunity for quality education in America.

We have learned much in recent years, and the lessons of bureaucratic ensnarlments in education programs should not be lost.

Clearly, remedial action is an urgent priority if we are to make Federal aid to education more responsive and less cumbersome.

We are seeking nothing less than a new definition of the relationship between the Federal Government and State and local governments—one which responds to present educational needs and anticipates the needs of the future.

IMPROVING MANPOWER PROGRAMS

In the manpower area, as in so many others, we have found not a unified effort, but a collection of overlapping categorical programs with all the inefficiency and frustration which that implies.

Here again, we anticipate implementing a program of manpower revenue sharing to bring previously fragmented activities within a single framework and giving increased responsibility to governments closest to the working people who need assistance.

In contrast to the education area, where we will again propose needed legislation, we intend to accomplish manpower revenue sharing through administrative measures within present legal authorizations.

The special revenue sharing approach which we will follow in both the education and manpower areas stems from a desire to serve people better, not to ignore the needs of those Americans whom our programs were designed to serve. Our goal, as the President affirmed in his human resources message: "compassion that works—not simply compassion that means well."

We believe that special revenue sharing will work, and work better than the existing categorical bureaucratic mess which has grown from compassion which simply means well.

Thank you, Mr. Chairman.

STATEMENT OF HON. JAMES T. LYNN, SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Secretary LYNN. Mr. Chairman and members of the committee, I appreciate your invitation to testify on the President's proposals for a new federalism. Not long ago, the President stated:

> For much too long, power has been flowing from the people, from the cities, from the counties, from the States, to Washington, D.C. And that is why, beginning with an historic move on revenue sharing, and in other areas, I feel firmly we must turn it around, and that power should flow away from the concentration in Washington back to the States and the people.

The President's statement was in response to prior policies which held that government power is best exercised with respect to almost all governmental functions from the Federal level in Washington. From time to time, Federal departments and other agencies have "decentralized" decisionmaking authority to the "field" but the ultimate source of power always remained in Washington.

The President's attempt to return governmental power to the cities, counties, and States is not an absolute principle in the same vein of the now discredited principle that the Federal Government always governs better. Rather, it is the result of a reasoned process of deciding what governmental functions can best be carried out in Washington—in a word, an attempt to "rationalize" the roles of different levels of government.

Where, for example, local conditions and needs vary widely or where people providing Government services are organized differently in different localities, State and local government seems far more appropriate to provide services efficiently and in a manner responsive to those served.

On the other hand, where the problems sought to be resolved are relatively uniform or require cooperation across State lines and among communities and States or where governmental decisions should be the same for all our citizens, Federal involvement or a combination of Federal and local involvement seems most appropriate.

This general principle can be illustrated by recent policies of the administration and in particular with respect to policies respecting my duties as Secretary of Housing and Urban Development and as counselor to the President for community development.

The first aspect of the President's new federalism is a budget which is not inflationary and will not require a tax increase but which also takes into account the needs of our citizens, including the need for housing and community development.

The President's program includes, for example, a proposal for a Better Communities Act which would make available $2.3 billion for community development purposes in a manner that would assist communities to institute broad programs without unnecessary Federal redtape.

Under the Better Communities Act, many current categorical programs would be replaced, allowing local government to make decisions on the most effective use of the funds. The $2.3 billion request, to begin July 1, 1974, actually exceeds the amount appropriated this fiscal year for the programs to be replaced.

It is important to note that the outlays, as distinguished from authorizations, will remain at present levels through fiscal 1974 and if the President's program is enacted, the elimination of redtape in processing will allow for a continual funding of needed projects.

The historical pattern for Federal programs is for the major portion of new Federal grant commitments to be made in the last 3 months of each fiscal year. The current fiscal year funding cycle ending this June is no different. As of December 31, 1972, for example, we had approved only 12 percent of our Urban Renewal funds, and 21 percent of the moneys available for Model Cities.

Thus, for the 6-month period of January through June 1973, we have funds yet to approve totaling $1.2 billion for Urban Renewal and $506 million for Model Cities. Based on past performance, the bulk of these remaining funds will be approved during the upcoming 3-month period, April through June.

Therefore, most cities will enter fiscal year 1974, starting July 1, 1973, with recently approved grant programs which should provide

them with funding adequate to permit activities to be carried out until the beginning of special revenue sharing under the Better Communities Act.

Thus, it appears that, on a national basis, we have provided for appropriate funding through the period of transition. We recognize, however, that this period of transition may visit particular problems on particular communities. Accordingly, we have asked mayors and other officials with particular transitional problems to sit down and talk with us promptly; Under Secretary-designate Hyde has already reviewed a number of problems with them. Only in this way can we determine the nature and magnitude of the problems.

A second aspect of the new federalism includes a commitment to reorganize the performance of Government at the Federal level better to provide services to the people. In this regard, the President first proposed in 1971 a formation, through consolidation of existing departments and agencies, of four new Departments, one of which would be the Department of Community Development.

This Department would bring together for the first time for coherent policy development and program execution a number of agencies spread throughout the Federal establishment all having to do with the betterment of our communities.

The third and most important aspect of the President's new federalism is the effort to return power to the State and local governments when appropriate in order to return the decisionmaking to those governments closest to the people directly affected by decisions.

In the past, the Federal Government attempted to solve local problems by initiating vast numbers of special purpose programs which were cumulatively designed to achieve significant social changes. Federal program administrators often bypassed the States and localities, either directly or through local paragovernmental organizations, and ignored their capacity to deal with needs and problems which were uniquely local in nature.

The new federalism is designed to remedy this situation. It provides an effective means of allocating financial resources, fixing responsibility for decisionmaking and determining the effect of governmental actions.

A significant first step in this process was taken last year with the passage of the general revenue sharing program. The special revenue sharing provisions of the Better Communities Act would be an additional step. No longer will local officials be forced to spend more time filling out Federal Government forms than deciding on local policies and priorities and on properly managing local programs to solve the problems of their citizens.

I believe that the future of our communities depends on thoughtfully implementing the new federalism—combining a reasoned decision on what governmental functions are best addressed by State and local governments and what functions are best addressed by the Federal Government with a willingness to return power to State and local governments when appropriate.

Thank you, Mr. Chairman.

STATEMENT OF HON. ROY L. ASH—Resumed

Mr. ASH. Thank you, Secretary Weinberger and Secretary Lynn.

I would like to draw one conclusion tentatively from the comments that have been made by Secretaries Weinberger and Lynn, and this is in further response to your opening statement that new federalism will bring about chaos and confusion. In fact, quite the contrary will be the actual result, and it will be largely by cutting out the intervening Federal bureaucracies and their detailed operating processes and requirements.

There is nothing less confusing than the States and cities receiving checks which they can cash and use for their purposes rather than requiring them to find their way through the Federal bureaucracy.

I am not going to cite in detail the many accomplishments that have been made in the last 4 years. Many of them have already been discussed with you in previous sessions, and have received your support. These include the establishment of common Federal regional boundaries, the setting up of A–95 clearinghouses to implement the Inter-Governmental Cooperation Act of 1968, and our broad review and streamlining of the Federal grant-in-aid system.

I would, however, like to make a few points on the fiscal year 1974 budget.

First, this is a generous budget. The spending totals proposed are the maximum that we could live with given the present economic outlook. In percentage terms, total spending is projected to rise by 7.7 percent in 1973 and by 7.6 percent in 1974. The annual percentage increase in the 11 years prior to 1971 exceeded 6½ percent in only four cases, and three of these were years of war buildup—1966, 1967, and 1968.

To have this budget labeled impecunious and insensitive to human needs is simply misrepresentation of the facts, and should not be tolerated by reasonable men.

Looked at in terms of purposes, the attached chart illustrates the remarkable shifts in spending priorities that have occurred during the administration's tenure.

[The table referred to follows:]

DISTRIBUTION OF BUDGET OUTLAYS BY PURPOSE, FISCAL YEARS 1969 AND 1974

	Billions of dollars		Percent of total outlays	
	1969	1974	1969	1974
Grants to State and local governments	20.3	44.8	11.0	16.7
(Grants to urban areas)	(14.0)	(31.4)	(7.5)	(12.3)
Major retirement and social insurance benefit payments, excluding retired military pay	44.3	87.1	24.0	32.4
National defense	81.2	81.1	44.0	30.2
(Retired military pay)	(2.4)	(4.7)	(1.3)	(1.7)
All other	38.8	55.7	21.0	20.7
Total	184.5	268.7	100.0	100.0
(Human resources)	(63.5)	(125.5)	(34.4)	(46.7)

Mr. ASH. Outlays for human resources programs are expected to double between 1969 and 1974, while national defense outlays are

roughly the same in 1974 as in 1969. In fact, they are down 25 percent if one takes into account the buying power of the dollar in comparison to that in 1969. As a result, defense outlays will decline from 44 percent of total Federal spending in 1969 to 30 percent in 1974; outlays for human resources will rise from 34 percent of the budget in 1969 to 47 percent in 1974. Outlays for pollution control in 1974 will be seven times the 1969 level, and low- and moderate-income housing aid will more than double between 1969 and 1974.

These changes clearly reflect the shift in national priorities toward peacetime domestic concerns that has been underway since this administration took office. The 1975 estimates published in the current budget show a continuation of this shift in relative priorities.

Second, this budget deals forthrightly and boldly with the politically difficult problems of reducing or terminating ineffective programs. It would have been far easier for the President simply to have cut every program by the same fixed percentage in order to stay within our budget outlay totals.

Yet such a course of action penalizes all programs equally, the good along with the bad, the lean with the fat. Worse, it is an admission that one is unable to discriminate between programs, unable to recognize ineffective performance, and unwilling to set priorities. The very essence of governing is choosing, and this the President has done.

In terms of the actual impact upon States and localities, it is important to take a careful look at the proposed cuts. Thirty-seven Federal grant programs are among the 100-odd programs that will be affected by the reductions and terminations proposed in the 1974 budget. These grant programs account for about half of the total program reductions and terminations.

Four programs account for more than two-thirds of the outlay savings associated with reducing or terminating Federal grant programs. These are outlay limitations on social services grants, already enacted by the Congress. Elimination of overpayments and payments to ineligible recipients of public assistance. Phasedown of emergency employment assistance, consistent with the increase in new jobs in the private sector; and actions related to the Federal Water Pollution Control Act amendments of 1972. In this case, Federal grants will nearly triple between 1972 and 1974 after the reductions are taken into account.

Of the remaining 33 grant programs that are being reduced or terminated, 11 will be supplanted by special revenue sharing. Outlays for about 60 percent of the remainder will be higher in both 1973 and 1974, even after the reductions and terminations are taken into account.

Finally, let me speak for a moment about the Federal budget, fiscal policy, and inflation. A key point that seems to have been overlooked in all the hue and cry about program cuts is the fact that huge budget deficits cause inflation when the economy is operating at or near full capacity, and that inflation hurts everyone, not just the rich and the middle class. It is with good reason that Americans in a recent Gallup poll indicated that inflation is the key problem facing our Nation today.

Fiscal responsibility is not just a rich man's concern. In fact, inflation hits the poor especially hard. It is probably the most regressive

tax of all. The poor tend to live on fixed incomes which cannot be increased as easily as can salaries and wages. They spend larger percentages of their incomes on necessary staples, with only limited flexibility to decrease their purchases, no matter how high prices rise.

And they have significantly less access to debt and mortgage credit, the best hedge against rapid inflation. Thus a budget which in the name of compassion went beyond the bounds of fiscal reasonableness would end up penalizing most severely those it was programed to help. Such a course of action would be neither reasonable nor compassionate.

In conclusion let me cite the words of the President's inaugural address, where he laid out his philosophy for the coming years:

> Just as building a structure of peace abroad has required turning away from old policies that have failed, so building a new era of progress at home requires turning away from old policies that have failed.
>
> Abroad, the shift from old policies to new has not been a retreat from our responsibilities, but a better way to peace.
>
> And at home, the shift from old policies to new will not be a retreat from our responsibilities, but a better way to progress.

Thank you, Mr. Chairman.

Senator MUSKIE. Thank you very much, Mr. Ash.

I think for the first round of questioning, if there is no objection, we will invoke the 10-minute rule so that everyone has a chance in the first half hour.

First, Secretary Weinberger made the point in referring to my opening remarks, that tax increases were not mandated by the budget cuts. I think it is appropriate to refer to the testimony of three mayors who testified here and let the facts speak for themselves.

Mayor Maier of Milwaukee said that after general revenue sharing the city will lose approximately \$75 million in funds next year. Special revenue sharing for community development would make up only about \$10.5 million of the \$49 million for housing and neighborhood renewal lost from budget cuts.

The only alternative source of income available to the city is the property tax. The city is prohibited by law from establishing a city sales or city income tax. In order to raise \$1 million from the property tax, the city must raise the tax rate by 40 cents per thousand valuation.

From Gary, Ind., Mayor Hatcher testified that after general revenue sharing the city would lose approximately \$21 million in Federal funds next year. Even if an estimated \$3.5 million is received in special revenue sharing, the city will lose about \$17.5 million under both programs.

The city is prohibited by law from using a sales or income tax. The property tax can be raised. However, there is presently a tax package before the legislature which would freeze all property tax rates at the 1973 level. So this source of additional revenue would be eliminated for the city of Gary, notwithstanding the reduction in funds available to it.

From Seattle, Mayor Uhlman testified that after general revenue sharing the city will lose approximately \$25 million in Federal funds next year. It is estimated that special revenue sharing, about which we don't have all the details yet, would not make up more than half of this loss.

Even with revenue sharing the city anticipates a possible deficit of \$7 million next year. Both the city sales and the local property tax are

presently utilized to the maximum limit established by statute and the constitutional limit as well for the property tax.

These are three illustrative examples of the pressures.

I gather, Secretary Weinberger, that your answer is that you just eliminate services until those deficits are made up.

Secretary WEINBERGER. Mr. Chairman, I think you would have had exactly the same kind of a letter from President Nixon if he had been willing simply to accept a continuation of all of the existing programs.

You always speak of services, and some of the losses may be in services. But some of those losses that you are talking about that the mayors are reporting are losses that were occasioned because the Congress imposed a ceiling on the social services programs and it represents a reduction from their expectations of what they planned to get had they been able to draw on the Treasury in the same unlimited amounts that they had previously been doing.

Because there is a change in the Federal programs that have been recommended and proposed by the President, there may well be some decrease in some of the income that some of the cities and States have previously enjoyed. This simply means, it seems to me, that the cities and the counties and the States have to look, as the President did, at the whole range of the programs that they are offering—some needed, some unnecessary, some long beyond any period of usefulness—and make the same kind of hard decisions that the President made, which programs should be continued and which should not. It seems to me that is the kind of decision that a lot of these people who are writing you don't want to have to face.

Senator MUSKIE. If I may respond, first of all what I was addressing myself to was not the philosophy behind the President's action insofar as the Federal budget is concerned, but whether or not his budget actions and impoundment actions have exerted substantial pressures upon communities and States that will force tax increases at those levels.

The testimony of these three mayors addresses itself to that point. With respect to social services, it is my understanding that when the Congress set the ceiling at $2.5 billion, social services had not yet climbed to that point.

Secretary WEINBERGER. No; social services expectations, Mr. Chairman, exceeded $6 billion when the Congress put that lid on.

Senator MUSKIE. I am not talking about expectations. I am talking about the testimony of these mayors. They are talking not about expectations that were cut but Federal dollars that were cut. That is what I am focusing on.

Secretary WEINBERGER. They were talking, Mr. Chairman, about some of the plans that they had in place and some that they hoped to put in place.

Senator MUSKIE. Mr. Secretary, what I just gave you with respect to Milwaukee had nothing to do about plans. Mayor Maier testified that the city will lose approximately $75 million in Federal funds next year.

Secretary WEINBERGER. Against the amount he hoped and expected to get. I know that is the fact, Mr. Chairman.

Senator MUSKIE. That is not the thrust of his testimony.

While we are on the subject of social services, let me ask what the administration's plans for the future are. Congress set a ceiling of $2.5 billion and I understand that the administration is planning on substantially less than that amount for 1974.

As I see here from the budget, claims for outlay savings from program reductions attributed to social services for 1973 are $2.3 billion; for 1974, $2.7 billion; for 1975, $4.7 billion.

Secretary WEINBERGER. Those are the savings that are reported——

Senator MUSKIE. What is left? This table doesn't tell us what is left in Federal support.

Secretary WEINBERGER. If I may, Mr. Chairman, what is left is whatever the States certify to us as the amount of qualified social services programs. When they make that certification we will honor their certification by providing three Federal dollars for one of theirs in whatever amounts are required by qualified social services programs.

What is in the budget is an estimate of what the requirements of the States would be; whatever it is, if the estimate is high or low——

Senator MUSKIE. Mr. Secretary, you have given us a specific dollar figure for cuts. You must have had an estimate to start with.

Secretary WEINBERGER. We did.

Senator MUSKIE. What was it?

Secretary WEINBERGER. The estimate is that the States will probably submit to us programs that will require about $1.8 to $1.9 billion. If they go more than that, up to $2.5 billion, it will be honored. It is whatever they turn in. That is an estimate.

Senator MUSKIE. What is the $4.7 billion in savings that you project for 1975 from social services?

Secretary WEINBERGER. That is the difference between $2.5 billion and the $6 to $7 billion that would have been required had we proceeded on the open-ended program that was in effect before.

Senator MUSKIE. Where did you get the $6 to $7 billion?

Secretary WEINBERGER. Because these were the continually revised estimates that the States submitted to us.

Senator MUSKIE. Based on what?

Secretary WEINBERGER. Based on what they thought they are going to get.

Senator MUSKIE. Have the States submitted estimates for 1975 for social services totaling $6 to $7 billion?

Secretary WEINBERGER. No, sir. But they submitted estimates that rose from somewhere under $400 million a year or 2 years ago to estimates that were close to $6 billion in August of 1972. We took them at their word and did not include any increased expectations or increased estimates. We simply leveled it off for the next 2 years and said that would be the savings if the congressional ceiling is imposed.

Senator MUSKIE. Why didn't you project a savings of $4.7 billion in 1974? If you are using a figure of $6 billion as their estimate for 1972, why didn't you save $4.7 billion in 1974 and increase your estimated savings?

Secretary WEINBERGER. Because we knew that the regulations and the congressional ceiling in effect would prevent that kind of a request.

Senator MUSKIE. Do you wonder, Mr. Secretary, why there is confusion and chaos at the local level?

Secretary WEINBERGER. I am surprised that you are confused, Mr. Chairman. I thought you knew about it.

Senator MUSKIE. You tell me that your estimate of savings in 1975 is based upon some figure of what State demands would be in 1972.

Secretary WEINBERGER. In the absence of a ceiling; yes.

Senator MUSKIE. In the absence of a ceiling. And yet you don't project that $6 to $7 billion for fiscal 1973 or 1974 or until 1975, and if it was $6 to $7 billion in 1972 surely it would have been much more in 1975.

Secretary WEINBERGER. The $5 to $6 billion that was put in was not in 1972. In 1972 we were well into. It was for fiscal 1974.

Senator MUSKIE. What was the 1972 figure? You justified the $5 to $6 billion estimate on something you said happened in 1972.

Secretary WEINBERGER. In the fall of 1972, which is fiscal year 1973, as you know, the States were continually revising their estimates upward. At one time they were under $1 billion, then under $2 billion. At one time they were just under three. At one time they were about four. Every quarter they would turn in new estimates as they realized the extent and size of this trap door in the Treasury.

Senator MUSKIE. Will you submit the documentation for that?

Secretary WEINBERGER. We will be glad to. Mr. Ash probably has it with him.

[The material referred to follows:]

SOCIAL SERVICES EXPENDITURES—TITLES I, IV-A, X, XIV, AND XVI[1] (FOR FISCAL YEAR 1973)

[In thousands of dollars]

	May 1972	February 1972	November 1971	August 1971	May 1971	Fiscal year 1973		Fiscal year 1974			$2,500,000,000 limitation, fiscal years 1973 74
						August OA-25	November OA-25	May OA 25	August OA-25	November OA-25	
Total	2,162,422	1,885,565	1,450,348,	1,373,034	1,316,975	4,652,203	2,303,806	2,529,022	5,158,987	2,787,012	2,500,000,000
1. Alabama	41,250	16,650	16,650	16,650	16,650	135,000	41,900	67,500	200,000	41,900	42,140,000
2. Alaska	18,906	32,474	10,013	3,068	3,068	18,971	5,746	32,237	32,307	3,740	3,901,750
3. Arizona	6,304	6,304	6,334	4,575	4,575	6,304	2,751	6,934	6,934	2,857	23,351,250
4. Arkansas	4,725	4,725	3,900	3,900	2,352	8,750	10,500	6,094	8,750	10,500	23,747,250
5. California	272,999	247,733	247,733	247,733	247,733	272,999	260,354	286,658	282,658	282,112	245,733,250
6. Colorado	22,655	22,274	20,709	17,161	15,900	29,782	24,097	26,120	36,982	31,332	28,297,500
7. Connecticut	15,829	10,567	10,567	11,914	11,914	22,912	37,200	17,187	23,520	37,200	37,001,750
8. Delaware	35,000	7,800	8,582	5,380	3,535	26,361	7,716	37,000	35,576	6,288	6,783,250
9. District of Columbia	10,056	10,908	10,908	9,408	9,108	20,520	20,520	11,480	22,150	22,150	8,980,250
10. Florida	112,611	178,521	40,418	32,078	32,599	113,572	87,127	123,874	140,847	87,133	87,149,500
11. Georgia	58,025	58,025	48,800	23,224	23,224	206,472	58,100	112,500	299,250	56,100	56,667,000
12. Hawaii	2,059	2,762	2,762	2,261	2,789	2,588	2,588	2,363	2,892	2,892	9,712,500
13. Idaho	2,287	1,499	1,499	1,419	1,419	24,871	8,500	2,401	24,900	8,500	9,076,250
14. Illinois	147,458	148,203	135,556	99,375	99,375	211,603	159,287	172,500	237,334	237,334	135,076,500
15. Indiana	6,685	5,873	5,873	5,494	5,494	14,775	14,775	7,355	19,211	19,211	63,522,250
16. Iowa	12,809	12,809	12,809	8,805	8,805	12,809	13,500	14,400	14,400	14,400	34,612,500
17. Kansas	7,414	7,414	7,414	7,414	7,414	7,414	7,789	7,785	7,785	8,536	27,109,000
18. Kentucky	19,361	22,637	22,637	22,637	9,222	30,024	30,024	19,607	30,270	30,270	39,607,000
19. Louisiana	16,308	15,360	15,360	13,860	13,860	34,875	36,894	26,715	49,215	49,215	44,661,250
20. Maine	7,182	5,475	4,959	4,509	3,703	6,665	9,130	7,802	6,999	9,375	12,354,000
21. Maryland	21,820	19,840	26,841	21,738	27,692	415,721	46,512	31,150	464,057	46,512	48,695,250
22. Massachusetts	19,701	18,090	9,310	10,927	10,805	95,952	70,574	19,715	95,965	70,631	69,477,000
23. Michigan	85,838	58,715	57,921	60,075	60,075	108,912	108,500	49,421	119,805	113,925	109,036,000
24. Minnesota	24,111	24,111	20,088	17,250	17,250	72,375	45,774	27,000	79,875	51,000	46,774,250
25. Mississippi	14,238	4,200	4,200	1,164	1,164	269,393	27,100	20,679	372,429	372,429	27,169,000
26. Missouri	16,335	13,875	13,043	13,201	13,201	16,910	15,923	17,744	18,395	17,310	57,063,250

See footnote at end of table.

SOCIAL SERVICES EXPENDITURES—TITLES I, IV–A, X, XIV, AND XVI [1] (FOR FISCAL YEAR 1973)—Continued

[In thousands of dollars]

	May 1972	February 1972	November 1971	August 1971	May 1971	Fiscal year 1973		Fiscal year 1974			$2,500,000,000 limitation, fiscal years 1973-74
						August OA 25	November OA 25	May OA-25	August OA 25	November OA-25	
27. Montana	3,300	2,682	2,682	2,682	2,585	3,270	3,270	3,300	3,270	3,270	8,632,000
28. Nebraska	12,564	8,901	8,901	8,901	8,901	12,564	12,564	14,355	14,355	17,223	18,308,750
29. Nevada	1,980	1,980	1,980	1,225	1,225	1,980	1,980	2,178	2,178	2,178	6,327,000
30. New Hampshire	3,033	2,394	2,522	2,708	3,368	4,857	4,857	3,219	7,530	7,530	9,256,500
31. New Jersey	38,320	35,860	36,900	35,525	34,500	415,944	86,810	44,660	462,467	87,100	88,446,250
32. New Mexico	6,396	7,120	7,120	4,420	4,420	32,404	12,786	7,120	38,260	14,064	12,786,000
33. New York	618,443	437,691	219,730	271,721	271,721	854,850	220,497	729,795	766,200	220,497	220,497,250
34. North Carolina	47,100	27,625	27,625	27,625	27,625	50,904	49,635	51,885	56,068	56,069	62,597,750
35. North Dakota	3,957	3,541	3,541	3,541	3,524	3,957	3,957	4,557	4,557	4,557	7,587,500
36. Ohio	22,515	26,000	26,000	18,865	18,865	92,050	92,050	26,000	109,920	109,920	129,457,750
37. Oklahoma	11,609	10,494	10,446	7,814	7,349	48,496	48,496	12,883	48,496	48,496	31,623,000
38. Oregon	24,907	34,893	34,893	34,893	34,893	25,153	26,196	27,418	27,418	26,196	26,196,500
39. Pennsylvania	100,627	100,486	70,393	75,369	75,369	106,496	100,323	115,797	115,382	116,969	143,180,250
40. Rhode Island	6,248	4,828	4,828	4,828	6,675	15,802	11,622	6,811	17,100	11,622	11,621,500
41. South Carolina	14,138	14,990	13,539	9,574	9,574	176,224	38,645	15,732	177,819	31,985	31,995,250
42. South Dakota	2,929	2,729	2,729	2,729	2,729	2,929	2,929	3,150	3,150	2,848	8,152,000
43. Tennessee	43,500	43,500	43,047	32,772	12,394	227,635	50,574	48,000	300,000	52,104	48,395,000
44. Texas	42,402	32,912	31,633	26,548	25,352	179,468	136,601	47,982	195,986	87,162	139,854,750
45. Utah	5,250	4,875	4,500	4,500	4,500	5,250	5,250	5,475	5,475	5,475	13,518,500
46. Vermont	2,599	2,554	2,554	1,873	1,873	2,599	5,500	2,878	2,878	6,800	5,546,750
47. Virginia	19,604	18,885	18,885	17,953	17,953	31,954	32,344	23,714	40,148	40,742	57,195,250
48. Washington	57,924	49,891	60,957	60,957	37,960	90,571	90,571	54,890	86,982	86,765	41,335,750
49. West Virginia	7,871	7,870	7,870	7,870	7,870	16,771	16,035	7,871	16,771	16,035	21,382,250
50. Wisconsin	58,500	41,250	37,500	37,500	37,500	58,500	91,351	65,520	65,250	93,750	54,265,750
51. Wyoming	608	804	804	804	804	608	608	669	669	669	4,162,000
52. American Samoa											
53. Guam	280	280	232	232	125	246	246	280	280	262	
54. Puerto Rico	3,651	3,651	3,651	4,385	4,385	4,007	4,007	3,651	3,651	3,651	
55. Trust Territory											
56. Virgin Islands	221					221	221	221	221	221	

[1] Based on estimates submitted by the States on Form OA-25.

Senator MUSKIE. If the information available to you in 1972 permitted you to estimate that those requirements would rise to $7 billion, why did you fail to project that $7 billion figure prior to the 1975 fiscal year?

Secretary WEINBERGER. I told you we did. For 1975 we simply leveled it off, not taking into consideration the same kind of increasing demands that they would make.

Senator MUSKIE. But why isn't that figure as applicable to 1974 as to 1975?

Secretary WEINBERGER. It is.

Senator MUSKIE. Why did you save only $2.7 billion in 1974 and $4.7 billion in 1975?

Secretary WEINBERGER. Because we knew from the kinds of demands that were being made, from the kinds of regulations that were being drafted, that those would be the approximate savings in the kinds of estimates that were being made.

If we had wanted to do so, and taken the same kind of increasing scale of requirements and requests from the States, we could just as easily have put in a savings of $8 billion. But I thought that would be hypothetical and speculative and we simply continued to level it off.

Senator MUSKIE. That is what I think your figure is.

My time is up. Senator Roth.

Senator ROTH. Could I yield for a moment to Senator Chiles? I am waiting for some information.

Senator CHILES. Mr. Secretary, I note in your statement that States were drawing on the Treasury in the same unlimited amounts. That was true, was it not, in social services because the Department, itself, had failed to pass any regulations, failed to set any regulations.

Secretary WEINBERGER. We believe that the regulations that were in existence and are in existence now need substantial revision, yes, sir.

Senator CHILES. So as I understand it, you are now revising those. The Congress, itself, put a ceiling on the program of $2.5 billion and now the Department is getting around to passing some regulations, after California, Illinois and New York made tremendous raids, in effect, on the funds that were in there.

Secretary WEINBERGER. And virtually every other State.

Senator CHILES. Those were the three that really cracked it and the three that really opened it up.

As I understand now, Congress has put on a ceiling of $2.5 billion. You just said that you expected that the States will only be able to draw 1.8 to 1.9.

Secretary WEINBERGER. No, that is an estimate of what they might draw. If they draw more than that——

Senator CHILES. The estimate is based on your regulations, or your proposed regulations, is it not?

Secretary WEINBERGER. No. It is based on the figures that the States have turned into us as to what they believe they will draw under the ceiling and with some indication as to what the regulations might contain.

Senator CHILES. Mr. Secretary, you can ease the regulations and the States could draw the $2.5 billion, could they not?

Secretary WEINBERGER. There has been no indication of that, because some States are unable to raise the 25 percent match necessary to receive Federal funding up to their ceiling.

Senator CHILES. I mean your figures either are right on one end, of the great savings you are going to have, or they are wrong on the other end. You can't have it both ways.

Secretary WEINBERGER. The figures, Senator, are based upon the preliminary estimates that the States have submitted to us for their drawings under this social services program, with the regulations that we have.

Senator CHILES. Mr. Secretary, I only have 10 minutes and you are taking a lot of my time.

Secretary WEINBERGER. I like to finish my answers. I don't like you to make statements that are inaccurate and not have a chance to correct them.

Senator CHILES. But it is accurate to say that your regulations are so drawn that you now expect them only to be able to draw \$1.8 or \$1.9 million.

Secretary WEINBERGER. No. Our regulations are trying to do what you said a moment ago we had not done. That is to draw regulations defining the program within the congressional ceiling. The figures we have used are figures that we estimate they will request under those regulations.

Senator CHILES. You can't come any closer to Congress' ceiling of \$2.5 billion?

Secretary WEINBERGER. We are not trying to exceed, come close to or go below that ceiling, Senator. What we are trying to do is draw up reasonable regulations. Whatever the States apply for that qualify, those demands will be met, up to the \$2.5 billion.

Senator CHILES. Mr. Secretary, there is an old saying that by your fruits you are known. In your earlier testimony you are talking about we are going to relieve the States from this great restrictive process of telling them exactly how to spend things, and we are going to go to special revenue sharing.

Now Congress has set a ceiling of \$2.5 billion, and rather than find a way of granting the \$2.5 billion to the States it seems to me you are going to put them through the maze of regulations. Aren't you back into the grant program entirely?

Secretary WEINBERGER. No, sir.

Senator CHILES. You are not practicing what you preach.

Secretary WEINBERGER. You have forgotten, Senator, that when the Congress imposed this ceiling of \$2.5 billion, it didn't leave it at that. It put in a great many additional regulations. It said, for example, that 90 percent of the beneficiaries had to be AFDC beneficiaries. They put a great many other restrictions on it.

Senator CHILES. Those are restrictions that are written by law.

Secretary WEINBERGER. They were written by the Congress.

Senator CHILES. And you recognize that you need to follow those by law. Is there anything in that that says that you couldn't use private funds for the States matching shares? Is there anything in the law that says that?

Secretary WEINBERGER. The Senate told us that in a directive that came out of the Senate Finance Committee and was commended favorably on, on the floor.

Senator CHILES. Is that in the law?

Secretary WEINBERGER. May I finish? We did publish regulations which include that, Senator, and we have had a lot of adverse comment about it. I can tell you this morning that one of the changes that we will try to make in the regulations will be to permit us under safeguards and conditions that prevent abuses that had led the Senate to put that directive into use, to accept private funds as matching.

But they will necessarily be subject to an attempt to remove the abuses that had crept into the program that so concerned the Senate last year.

Senator CHILES. I am happy to hear that. Under provisions of the definitions under the law which refer to personal care, as I understand your regulations are only allowing for day care.

Is there anything in the law that says that they cannot be extended to protection and supervision of children?

Secretary WEINBERGER. I think you are talking about a different proposal, Senator. The regulations simply provide that Federal funds can be used for day care. One of the abuses was that day care centers were being funded under circumstances in which there was not only no apparent need for the service but the mothers were not working.

Senator CHILES. Are the regulations broad enough to allow you to be able to use the funds for protection and supervision of children?

Secretary WEINBERGER. Yes. Both under the title IV–A program and under the Child Welfare program in title IV–B. We are also planning changes in the drafts that have been actually published. A few people seem to understand that these were drafts and that they were designed to produce comments and have changes made on the basis of those comments.

Senator CHILES. Under your regulations, by cutting the period of time to 3 months, the time in which a former recipient may receive services, aren't these regulations just going to put people back on assistance?

Secretary WEINBERGER. No, sir, they are not. They are designed to insure that the President's directive that Federal funds go to the people most in need are carried out. If at the end of the 3-month period there is a determination by the State, not by the Federal Government, that this person continues to need aid, the State can recertify him. Under the previous regulations, the existing one, anybody who was considered by the State to be a potential welfare client in 5 years was eligible. That is something that does not insure that the funds go where the need is greatest.

Senator CHILES. I still wish you would explain to me one more time, Mr. Secretary, why you are now estimating that only $1.8 billion will be spent when Congress has authorized $2.5 billion.

Secretary WEINBERGER. Our plans are based largely on the estimates received from the States themselves following the publication of the individual State ceilings imposed as a result of the ceiling adopted by the Congress. That is where those estimates came from.

Senator CHILES. You told us the States wanted at least $6 billion to spend.

Secretary WEINBERGER. That was prior to the time the ceiling was imposed and prior to the time there was any suggestion that the regulations would be modified. As you have suggested we should have done that a long time ago.

Senator CHILES. Do you mean that the States in their requests as set forth and the ceiling as set forth that Congress imposed in the law, their requests are only going to be $1.8 billion?

Secretary WEINBERGER. That is the estimate. If there are more than that, they will be honored. This is not a program over which we have control. This is a program where, if the States make requests for needed and qualified social services under the regulations——

Senator CHILES. There you used the word "regulations" again.

Secretary WEINBERGER. That is right. These funds have to go out under regulations, as the Congress has said.

Senator CHILES. So, Mr. Secretary, it is not the ceiling, it is not the requirements as set forth under the law that are reducing it to $1.8, but it is the regulations.

Secretary WEINBERGER. The regulations are consistent with the law and the regulations are——

Senator CHILES. The law says $2.5 billion.

Secretary WEINBERGER. The law says a ceiling of $2.5 billion, Senator. There is no requirement nor is it desirable——

Senator CHILES. Now you have given me the answer I wanted. You are back to the argument that because the law says $2.5 billion that doesn't mean you have to spend $2.5 billion and you don't intend to spend $2.5 billion.

Secretary WEINBERGER. I am quoting the law. The Congress said there will be a ceiling of $2.5 billion. This is not a situation in which the Congress directed the President to spend $2.5. It said that the States may apply for social services benefits and they will be matched 3 to 1 by the Federal Government—more than that in some cases—but that the total under this program cannot exceed $2.5 billion.

If it reaches $2.5 billion, that amount will be paid out of the Treasury.

Senator CHILES. Thank you. I have exceeded my time but I think I finally did get the answer, that in spite of the fact Congress said $2.5 billion, the administration is going to spend about $1.8 billion.

Secretary WEINBERGER. I don't know what answer you wanted but I gave you the accurate answer, Senator. That is, that Congress put a limit. Congress did not direct $2.5 billion to be spent. They said, "You can spend up to that amount."

Senator CHILES. I got the message.

Senator MUSKIE. Senator Roth.

Senator ROTH. Mr. Secretary, I would like to go back and clarify for the purpose of the record some of these figures that have been discussed. You make reference to the figure of roughly $4.5 to $6 billion.

Secretary WEINBERGER. Mr. Ash has the budget with him.

Senator ROTH. I want to go back to social services and just point out that in the Congress on August 10, when this matter of a spending

limitation was adopted or was considered, that there was put in the record a very detailed chart which showed the potential growth of the funds under the social services for aid. In 1971, it was $746 million, according to this chart. In fiscal year 1972, it was $1.5 billion. In fiscal year 1973, according to this chart, it was going to rise as high as $2.0 billion, but at a Governors' conference, and I think this is the figure you were making reference to, they estimated proposed spending under this program as high as $4.6 billion.

We never actually reached that figure but that was the proposed amount of money discussed at this particular Governors' conference in 1973. Is that correct?

Secretary WEINBERGER. It may have been that it got even higher than that. We had preliminary figures from the States.

Incidentally, in addition to the ones that Senator Chiles mentioned and a great many others, Mississippi rose from something under $40 million to something in the neighborhood of $465 million as their latest proposal. It would have been 60 percent of the entire Mississippi budget.

But the latest general rundown we had of the States was that they would be talking in the neighborhood of about $6 billion about a year and a half away if they kept up on the general course that they were on now.

Senator ROTH. That is correct. As a matter of fact, this particular chart shows Mississippi going up to $463 million in 1973, when it only got $1.7 million in 1972.

All I am trying to say is that, as I understand the figure, as one who played a role in getting the ceiling to cap this particular program, it was perfectly clear on the Senate floor in August that the proposed spending was balooning at that time. There was talk, as you say, of $6 to $8 billion. I think the record will show that.

As a matter of fact, some of the papers anticipated within a few years it would go as high as $20 or $30 billion.

I think the record ought to be clear, Mr. Secretary. The problem with the program was that it had gotten out of control.

I would like to go back to one question, if I might, going forward on a question that Senator Chiles asked you on these regulations.

There has been considerable concern about children of the working poor who are involved in child care.

Under these proposed regulations, where I think there is some kind of a 3-month limitation, do I understand you to be saying that for the working poor a State could still recertify and keep those children in child care centers?

Secretary WEINBERGER. That is my understanding, yes, sir.

Senator ROTH. So this concern is not necessarily justified. If a State feels that these people will be thrown back on welfare, if the children are taken out of the child care centers, they still have the flexibility to make the recertification?

Secretary WEINBERGER. Yes. Again let me emphasize that these regulations were published as a draft, as a proposal, for the express purpose of obtaining comment. A lot of comment has come in. Some of it is very constructive and very useful. We utilize those comments

for the purpose of drafting the regulations in their final form before they are promulgated. That is the case.

What we tried to do was to get away from the situation that led to this ballooning that you so very ably described and to insure both that these Federal funds, which are a considerable amount, go to the people most in need and that the program will be free of the abuses that the Senate, itself, was extremely concerned about last year.

Senator ROTH. Mr. Secretary, one of the things that concerns me about these hearings is tht they are centering very much on the question of dollar amount.

It seems to me what we are trying to talk about is how do we improve the delivery service. Have any studies been made to show how much of the dollar budgeted for social services is eaten up in the administration because of the complex guidelines, the complexities involved in each of these programs?

Secretary WEINBERGER. Senator, one of the problems is that under the existing situation and regulations, and before there was a ceiling, we had very little opportunity to trace the Federal dollars. We had no real way of knowing what kinds of programs they were going into.

This is one of the things that properly concerned the Senate and why it said that it felt we should not accept any private matching dollars for qualification for the program.

We believe we can draft regulations that will eliminate these abuses and enable us to find out where the Federal dollars go.

Senator ROTH. I was going even broader in my question. Not only under title IV(A), but the 1,200 different categories of grant programs that we have—proposals to simplify and restructure.

I would just like to point out that as far back as 1966, because of the complexity of these programs, the very excellent magazine put out by National Association of Counties, "American County Government," proposed that every county in the country, something like 2,000, should have a special office set up just to try to find out what the programs are.

The question I am asking is do we have any estimate, as to these hundreds of categorical grants, of how much of the funds are eaten up in administration?

Secretary WEINBERGER. In community action, for example, a good 45 to 48 percent, in the regional medical program approximately 60 percent. There are individual figures for each specific program.

Mr. Ash may have some more, I don't know. But these are certain specifics I remember.

Mr. ASH. I have no other specific figures, but I think if one would only look at the chart on the easel to show the administrative processes that deal with the 19 dropout prevention programs, there are plenty of opportunities to spend overhead exhibited right there in that chart, and for that matter not only opportunities but almost requirements.

Senator ROTH. I think my time is almost up. I will ask one more question.

Will the so-called special revenue sharing help guarantee to the State and local governments, ahead of time, how much funds they are getting in contrast to the categorical grant system where you must play the game of grantsmanship?

Secretary WEINBERGER. Yes, it will. It will be a clearly defined computable formula, and the Government's role will be reduced, fortunately, substantially to checkwriting.

Speaking of Mr. Ash's last point I participated and saw some of the application forms from California for some of these grants. When you got all through the cost of making the application exceeded the grant you got 2 years later.

Senator ROTH. Thank you, Mr. Chairman. I will continue later.

Senator MUSKIE. I would like to return to this question which Secretary Weinberger and I were discussing about whether these figures that were given to us by the mayors are the loss of expectations or loss of dollars.

With respect to Milwaukee, let me quote Mayor Maier's testimony. He said:

> That is a total of $95 million which will be taken out of our local economy next year.

You don't take expectations out of a local economy. You take dollars.

Secretary LYNN. Is he taking a GNP effect?

Senator MUSKIE. I will give you enough detail.

Secretary WEINBERGER. He did say next year. How can you say it is dollars there now? He is estimating as we have to estimate.

Senator MUSKIE. Let's give you the kind of detail that is all that will suffice to meet your argument.

We have this testimony from Mayor Gibson of Newark. Here is a city with probably confiscatory property tax rates. Its rates are so high that the property value is consumed in 10 or 11 years by property taxes.

Here are some specifics from Mayor Gibson: OEO, total current funding, $6,200,000. Total loss in dollars, fiscal year 1974, $2,547,080. Number of projects lost, nine. Remaining projects to be housed after transfer to other Federal agencies. Manpower, total current funding, $24,510,051. That is hardly the rounded off figure of an estimate.

Total loss in dollars, fiscal year 1974, $12,355,723.

Secretary WEINBERGER. The fiscal year 1974 doesn't start until July 1, 1973.

Senator MUSKIE. You would want these fellows to do a little planning, wouldn't you?

Secretary WEINBERGER. I would indeed. What I am saying is they are planning on expectations that are not going to be realized. That is what they are talking about.

Senator MUSKIE. They are talking about programs that are underway, projects that are in process, applications that have been reviewed and approved, funding that they could expect.

They are not talking about pies in the sky. These are rather specific figures, Mr. Secretary, and I insist on continuing to present them.

Secretary WEINBERGER. All right; they are talking about expectations.

Senator MUSKIE. Health, current spending for 15 projects in existence, unfinished, $9,035,441; fiscal year 1973 net loss, 7 lost projects, $2,580,000; fiscal year 1974 net loss, 44 lost projects, $3,546,822. Total loss, 11 projects, $6,127,390.

Housing, moratorium proposed, under 236 but not in pipeline, total for housing—and I can give you the details—on construction units, rehab units, total units, jobs, materials, service dollars, total lost, $352 million in Newark.

Model cities, current funding, 3d year, $5,600,000. Fiscal year 1974 loss at 55 percent spending authorization, $2,600,000.

You may think that these are nothing but unjustified expectations, Mr. Secretary. I think these figures are the product of ongoing programs and local planning undertaking to identify for 1974, what is to be expected of local taxpayers, the State, if such program is available, and the Federal Government.

When you pull the rug out from under those expectations you pull the rug out from under what were entitled to be regarded as firm dollars. You and I disagree about that.

Secretary WEINBERGER. We do indeed.

Senator MUSKIE. I want to have the record very clear.

Secretary WEINBERGER. We disagree strongly.

Secretary LYNN. Mr. Chairman, might I respond in part at least to the housing programs and the model city programs that you referred to?

Senator MUSKIE. Yes, you may.

Secretary LYNN. In the first place, it seems to me that there has to be a waiting period here of a short time to really know what the losses, if any, are going to be on the housing programs. In the first place, as you said——

Senator MUSKIE. May I say, Mr. Secretary, you didn't provide a waiting period. You initiated this freeze without any warning.

Secretary LYNN. Mr. Chairman, if you would let me continue, please, I will make clear what I intended to say.

What I was saying is that Secretary Romney said in his speech in Houston, that we would honor program commitments that we had. I am about a week away from announcing what we are doing pursuant to that language used by Secretary Romney.

That has been told to the mayors, that we were going to do this, that we are working on it and we were going to get to it promptly.

So for a mayor or a Governor to come in and assume he has lost them before he has even heard what the outcome is with regard to program commitments seems to me to be highly premature.

Second——

Senator MUSKIE. Let me ask you if this is highly premature, then. I am delighted to turn to your testimony. You say the $2.3 billion request to begin July 1, 1974, actually exceeds the amount appropriated this fiscal year for the programs to be replaced.

You are talking about the better communities programs.

It is important to note that the outlays as distinguished from authorizations will remain at present levels through fiscal 1974. If the President's program is enacted, the elimination of redtape in processing will allow for a continual funding of needed projects.

Then you say:

> Most cities will enter fiscal year 1974, starting July 1, 1973, with recently approved grant programs which should provide them with funding adequate to permit activities to be carried out until the beginning of Special Revenue Sharing under the Better Communities Act.

Now let me read from a letter which your Department sent to Mayor John Orestis[1] of Lewiston, Maine, with respect to the model cities program. It is dated February 23, 1973. I read:

> Model cities supplemental funds on hand are sufficient when used in conjunction with funds available in your present contract to provide for continuation of the program at a substantially reduced rate from February 1, 1973, to June 30, 1974. We expect to receive our fund assignment shortly and will notify you of your new target figure by February 28, 1973.
>
> In anticipation of your new funding level, you should begin to identify and make necessary reductions in your current spending rate as quickly as possible. To retain maximum flexibility you should not sign new contracts or begin new projects until you know the amount of funds available to your city.
>
> You should also, to the extent possible, place spending restrictions on the agencies with which you now have contracts.

Contrast that language with the language of your statement this morning:

> Most cities will enter fiscal year 1974, with recently approved grant programs which should provide them with funding adequate to permit activities to be carried out.

Secretary LYNN. I note the wisdom of my using the word "most" first of all, Mr. Chairman. You have given me an example from one city and you may be able to quote others. But our judgment with regard to it, as my testimony carefully says, is that as a national matter we think this will be carried out and carried out well.

We have asked mayors to come in. It may be in the Lewiston situation that as we see what is happening there, with a reprograming of existing commitments they have, it would take care of what they have. Don't forget the overhang of commitments that the Federal Government will have made through June 30, 1973, is $7.4 billion.

Senator MUSKIE. We will get into that in a moment. For the moment, I want to pursue this point.

Secretary LYNN. Please do.

Senator MUSKIE. Your statement very carefully avoided covering the Lewiston, Maines. Your rhetoric was designed to suggest that the funding was adequate and up to current levels. Let me read you some more about the Lewiston, Maine, situation. It may be the only way the problem will get to your personal attention. I can't overlook the opportunity.

Secretary LYNN. A phone call would help in that regard, Mr. Chairman, and you can probably do as well.

Senator MUSKIE. Let me read you something from a memorandum sent by Mr. Hyde to all regional administrators with respect to model cities.[2] These are guidelines and the third one is this:

> The 55 percent program level will be an average level based on factors set forth in numbered paragraphs 1 to 5. Regional administrators may vary the level for individual cities. No one city may have its present program level cut by less than 20 percent or more than 60 percent without central office concurrence.

If that doesn't reflect a decision to gut model cities down to a minimum of 55 percent of its current funding, then let me give you the impact——

[1] See p. 480.
[2] See p. 482.

Secretary LYNN. Mr. Chairman, you didn't say that just now. You said no city less than 20 percent, first of all. By the words you just read, there was flexibility with regard to the amount that would be given.

Senator MUSKIE. Mr. Secretary, I will finish my question.

Secretary LYNN. I am sorry.

Senator MUSKIE. I am learning techniques from Secretary Weinberger in this connection.

Secretary LYNN. I am sorry for interrupting, sir.

Senator MUSKIE. Let me give you the specific impact of this thing. I quote from the mayor's letter to me dated Feb. 20, 1973:[1]

> The federal government has invested almost $6 million in Model Cities supplemental funds in the City of Lewiston. Unless we have at least one more year of full supplemental funding, which is $2,010,000—many of the projects which were expected to become self sufficient after the fourth action year will have little chance of continuing beyond June 1973.

This, I suppose, is what Secretary Weinberger would refer to as unjustified expectations. The program should continue for 4 action years.

To finish the job that was started, Lewiston needs $2 million more. Now HUD is going to cut it in accordance with Secretary Hyde's directive. By the time your general guidelines catch up with the results of the letter of February 23, which tells Lewiston and other model cities to proceed to cut as quickly as possible, they will be faced and you will be faced with a fait accompli that will be almost impossible to reverse.

You don't say, "Wait until we can look." You said, "You should begin to identify and make necessary reductions in your current spending rate as quickly as possible."

Secretary LYNN. May I respond now, Mr. Chairman?

Senator MUSKIE. Yes.

Secretary LYNN. Thank you. As I said first of all in my statement, in the written statement at the end, we are urging the mayors and other local officials to come in where they think they have a particularly difficult situation so that we can at least look at it.

No. 2, I say in my testimony that we expect the community development revenue sharing under the Better Communities Act to begin on July 1, 1974. So the longest period of time we are talking about is a period of 16 months.

No. 3, what we do find in talking to so many of the mayors is that their priorities as to what they may want to do when they get money that is unfettered of redtape may be somewhat different from what they presently have been seeing. That may not be true for Lewiston, but with a number of cities where they are not out there playing grantsmanship but are playing with priorities and the impact on their own communities as determined by them, it is surprising, in some cases, how they have different priorities for the spending of the money.

Very frankly, 16 months is not a very long period of time for local communities to gear up to handle that kind of money which you have immediately.

One of the problems, and one of the frustrations, I am sure, on the cutoff, is that in many of these cases it has taken such a darn long

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[1] See p. 484.

process for these people to get where they are. I am fully sympathetic with them.

I brought with me today—I guess we all have this kind of Jackson Pollock things, and this is the kind of thing you go through in your urban renewal—this document.

Senator MUSKIE. Would you be responsive to my question? I do have other points to cover. I don't want to go through a new chart at this point.

Secretary LYNN. I will finish promptly.

Let me go to housing component. As I said earlier, we do intend keeping our specific program commitments and I am within a week away of announcing what we intend to do with regard to specific program commitments on housing.

One of the things that is so difficult on the statements made by the mayor of Milwaukee, for example, and this statement is that they had lumped in all kinds of programs into one batch and come up with a figure.

Senator MUSKIE. They followed your example. You lumped all kinds of programs.

Secretary LYNN. I don't think our budget presentation of the Better Communities Act is to be confused with the manpower programs, for example. Those are not put in all one lump place in the budget. My own conversations with mayors generally has been to sit down and identify specifics and refine this thing and see where the problems really are during the transition period. We welcome at least their identifying where these are. How can we even consider them if we deal in broad generalities rather than specifics?

The mayor of Lewiston, Maine, has some points that he has made in this regard. I want to see what would happen with respect to him as he sat down there with Floyd Hyde and his people—as to what kinds of regearing of former moneys that have already been committed could be used to help this transition.

Senator MUSKIE. Mr. Secretary, that is the very point. There are some 92,000 units of local government in this country. By impoundments, freezes, unilateral dismantling of programs, as in the letter of the city of Lewiston, Maine, you just bring these things to a screeching halt and then expect to bring order out of them.

Let's look at the better communities program. I want to find out what kind of a commitment the administration is making there. Let me give you some figures we have for outlays, for fiscal years 1972 through 1977, as they have been developed for us. This is spending under existing programs.

Secretary LYNN. These are existing categorical grants?

Senator MUSKIE. Yes, existing programs.

The figures we have for 1972 are $2 billion: 1973 is $1.8 billion; 1974 is $1.9 billion; 1975 is $1.7 billion; 1976 is $.6 billion; 1977 is $.1 billion.

Now on new commitments for existing programs.

Secretary LYNN. Excuse me, may I ask what you mean by new commitments? Do you mean applications that are in where no approval has been made?

Senator MUSKIE. At the local level for ongoing projects.

Secretary LYNN. Where we have made commitments?

Senator MUSKIE. The level of commitments permitted is what I am talking about. Just take my figures. If you don't want me to read my figures, I won't.

Secretary LYNN. I just want to understand what the figures are, Mr. Chairman.

Senator MUSKIE. It is kind of hard to read a table. If you will just put this down, maybe the facts will emerge.

Secretary LYNN. I will try, sir.

Senator MUSKIE. Existing programs: 1972, $2.4 billion; 1973, $2.4; 1974, zero; 1975, zero; 1976, zero; 1977, zero.

The new program money under the better communities program: 1972, zero; 1973, zero; 1974, zero; 1975, $0.6 billion; 1976, $1.7 billion; 1977, $2.2 billion. This comes from your budget documents for "Urban Community Development, Special Revenue Sharing."

Total authority for new commitments, and this measures the current level as against the projected level: 1972, $2.4 billion; 1973, $2.4 billion; 1974, zero; 1975, $0.6 billion; 1976, $1.7 billion; 1977, $2.2 billion.

So what you are talking about is dropping from a new program level of commitment of $2.4 billion to nothing in 1974 and then rising slowly to $2.2 billion in 1977. That is the analysis of the budget impact that we have been given. If you want to make a response, we will be happy to have it.

Secretary LYNN. Thank you, Mr. Chairman.

The first thing I want to make clear is that even with the advent of the $2.3 billion in fiscal year 1975, there is no elimination or cutback of programmatic money under the existing categorical programs at all. There is no cutback.

There is $7.4 billion that will have been committed by the end of fiscal year 1973 that is going to be spent over the years ahead even with the advent of the $2.3 billion in fiscal year 1975.

This is why I was able to say in my testimony that if you look at the number of water and sewer facilities that will be built, if you look at the number of neighborhood facilities, if you look at all the other categorical things that are going out, the rate at which it is being spent, the rate at which dirt is flying in the communities, and things are being accomplished, it is at a rate of $1.9 billion a year, even before you get to the Better Communities Act.

One of the problems I found in these programs, and perhaps you don't share it, Mr. Chairman, is the difficulty of appropriations, carryover authority, and outlays. It is not an easy area in that regard. But——

Senator MUSKIE. I understand. But the figure of $7.4 billion that you use confuses that fact.

Secretary LYNN. It may do that.

Senator MUSKIE. Very much so. You undoubtedly saw the exchange in the Washington Post between Mr. Hyde and Mayor Gribbs of Detroit on this subject. Mr. Hyde made the same argument you were making and Mayor Gribbs had this to say about it:

According to Administration figures, there will still be some $7.4 billion in Congressionally appropriated and unobligated funds which have never been used by the cities. Some $5.7 billion of this impressive figure is reported to be in the

urban renewal program alone. The President advises us not to worry, that there is sufficient funds in the community development pipeline to carry us through the next months. I submit that this is a phantom pipeline. The weakness of the Administration position on these drastic program cuts is that the major portion of the $5.7 billion which is said to be in the urban renewal program is committed to the cities for programs that are already well underway. The only reason these funds have not yet been drawn down from the Treasury is that as permitted by law and as administered by HUD most Urban Renewal projects have been temporarily financed using local bonding authority with notes guaranteed by the Federal government.

The cities would be more than willing to call in the Federal funds which are obligated for those projects, since the present temporary local financing procedure is more expensive to them. However, if the cities were to immediately retrieve these funds from the Treasury it would add billions of dollars to the budget deficit for the current fiscal year. I am quite certain that the President does not desire that result.

That is the testimony of a mayor on your so-called pipeline.

Secretary LYNN. But doesn't he state, if I heard him correctly, that he is saying that it is money that has been committed, that they will get over a period ahead for things they are presently doing?

Senator MUSKIE. Well, yes. But I find it hard to understand. By definition, housing programs involve long lead times. Waste treatment plants involve long lead times. We estimated that the 5 year authorization for waste treatment facilities last year would take 10 years to span.

Secretary LYNN. Exactly, Mr. Chairman, and that is why we want to switch.

Senator MUSKIE. When you say that you have $7.4 billion in the pipeline, transferring that to what I know about the waste treatment program at the end of a fiscal year you might pay out money for projects already started and under construction, but that doesn't mean you are continuing to deal with problems that haven't been dealt with at all. That is the point.

Secretary LYNN. But, Mr. Chairman, the rate at which we are dealing with it by way of expenditures, the money that is actually going to the communities is going to be no less in 1974 with these lead times than it was in 1972. That is my point.

Senator MUSKIE. My point is that you can't cut and you can't freeze a program for 18 months and say that you are going to have the same level of activities with the freeze that you had without the freeze.

Secretary LYNN. May I respond, Mr. Chairman?

Senator MUSKIE. Yes.

Secretary LYNN. Let me respond and say yes, you can, and you can do it simply because instead of this kind of spaghetti on an urban renewal program——

Senator MUSKIE. I don't know what that spaghetti is.

Secretary LYNN. It is an urban renewal program, when you have the plan, after you have another chart with as much spaghetti as this for 15 months to 2 years, and then you finally have a plan and start working toward making the dirt fly. This is what you go through for the next 15 months to 4 years to get it in. And under the water and sewer grants, this is why it takes a year to 5 years to get it in. The reason there will not be disruption here is because there is a big difference. When they get that money, that $2.3 billion in the Better Com-

munities Act, on July 1, 1974, that redtape is gone. They can spend it right then.

So when you take this $1.8 billion a year that we are presently spending and then superimpose what we are doing with the Better Communities Act, this isn't that kind of a problem.

Senator MUSKIE. I will put that table into the record.

In my judgment, it will emphasize the fallacy of your argument. It is like saying that we could have started the water pollution program for 5 years, and piled up the projects, started them, funded them, and then cut out the last year of authorization and still get the same result at the end of the 10 years as we would have if we hadn't cut it out.

Secretary LYNN. In fact, sir, it will shorten the period of time to do as much.

Senator MUSKIE. I just don't agree. I have heard so many of these kinds of generalities from you gentlemen that simply don't hold up under the figures.

[The table to be furnished follows:]

URBAN COMMUNITY DEVELOPMENT

[In billions of dollars]

	1972	1973	1974	1975	1976	1977
Outlays:						
Spending under existing programs	2.0	1.8	1.9	1.7	0.6	0.1
Difference between outlays under existing programs and total community development outlays				.6	1.7	2.2
Total community development outlays	2.0	1.8	1.9	2.3	2.3	2.3
New commitments:						
Existing programs	2.4	2.4	0	0	0	0
New program money (UCDRS)	0	0	0	.6	1.7	2.2
Total authority for new commitments	2.4	2.4	0	.6	1.7	2.2

Secretary LYNN. May I respond for the record on outlay figures? We will blame Mr. Ash for this jointly if these figures are wrong because he provided them to me.

What I have here is taking the total of outlays, taking the total of outlays for the seven programs being supplanted by the Better Communities Act, and adding the outlays for the Better Communities Act, we come up with the following outlays from 1972 through 1975: $1.959 billion in 1972, $1.854 billion in 1973, $1.907 billion in 1974, and $2.472 billion in 1975.

Senator MUSKIE. What is the relation between that and the figures in the budget? This is your budget document, isn't it?

Secretary LYNN. Are those outlay figures or budget appropriation figures?

Senator MUSKIE. These are outlay figures, as I understand it.

Secretary LYNN. Perhaps what we ought to do on this one, Mr. Chairman, is let us look at the tables you are looking at. We will look at this and try to provide for the record, if we might, an analysis.

Senator MUSKIE. This is page 360 of the budget. These are your figures: $560 million in 1975, $1,700 million in 1976, $2,200 million in 1977, $2,300 million in 1978.

Mr. ASH. These are totally consistent. In the $2.427 billion in 1975 will be the outlays for a combined runout of the categorical programs and the beginning of special revenue sharing. The special revenue-sharing component is the $560 million. The $560 million is the identical number on page 360 shown under "Urban Community Development Special Revenue Sharing."

Senator MUSKIE. What I am interested in is knowing whether that $560 million represents new commitment money or existing obligation money.

Mr. ASH. It is just as labeled, Mr. Chairman. It is outlays. In that year 1975, in addition to the $560 million of outlays under special revenue sharing, will be $1.867 million of outlays under the runout of the categorical programs being supplanted by the special revenue sharing, thus providing a total of $2.4 billion, 25 percent more than the years 1972 and 1973 and 1974, each of those.

So there will be a step-up of 25 percent in that fiscal 1975 over each of the previous years, any one of the previous years.

Senator MUSKIE. Whether the $2.3 billion covers existing programs is another question I will get into. What is the $560 million again?

Mr. ASH. The $560 million are the outlays.

Senator MUSKIE. What does that mean?

Mr. ASH. Cash expenditures in contrast to commitments.

Senator MUSKIE. Do you mean of the total of $2.3 billion, $560 million will be money actually paid out?

Mr. ASH. Outlays are the actual moneys spent for these programs. There are long leadtimes in making commitments, signing contracts.

Senator MUSKIE. Are there any commitments made up to now that are unfunded that you are going to meet under that program?

Mr. ASH. These will be commitments that will be made beginning in July 1974.

Senator MUSKIE. What happens to the commitments that were made before then?

Mr. ASH. Those will continue to be run out or in effect the moneys expended under those commitments and those comprise the other data that Secretary Lynn was reading. We will put into your hands the table that shows program by program the outlays that will be made well into the future of commitments already made under programs already existing.

Senator MUSKIE. This analysis is given to me by someone who knows Federal budgets. His analysis is this. If you challenge it, you can put your analysis into the record. But the analysis tells us this, that of the $2.3 billion in 1975——

Mr. ASH. Budget authority; yes, sir.

Senator MUSKIE [continuing]. Only $560 million is new money. The rest of the $2.3 billion will be old commitments.

Mr. ASH. It does not say that. May I say it does say according to the principles of the preparation of the budget.

Senator MUSKIE. Yes.

Mr. ASH. In fiscal year 1975, $2.3 billion shown here is the amount of budget authority, that is, that under which individual project and program commitments can be made. Of that $2.3 billion budget authority, $560 million will translate itself to actual cash outlays during that year through the very delayed process from authority to cash.

Senator MUSKIE. This is why I have put the two tables into the record. One spells out outlays and the other new commitments. They make the very distinction you are making.

I ask you to look at those tables and to give me your answer to them. What you are telling me now doesn't disagree with those tables except for the numbers.

Mr. ASH. I am reading the numbers off of the table; yes, sir.

Secretary LYNN. I think we can clarify these, as you suggest, Mr. Chairman, for the record.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROGRAM LEVELS AND OUTLAYS UNDER THE BETTER COMMUNITIES ACT AND COMMUNITY DEVELOPMENT PROGRAMS

The accompanying table shows program levels and outlays for the existing Community Development programs from 1972 through their termination and for the Better Communities Act beginning in fiscal year 1975. These amounts are consistent with the actual and estimated amounts shown in the FY 1974 Budget.

Program Levels

The amounts shown for program levels in each year represent the levels of obligation, fund reservation or other commitment made which reflect the volume of program activity. Beginning in 1975, with the implementation of the Better Communities Act on July 1, 1974, communities, almost immediately, will be able to contract or enter into obligations or other commitments with their grant funds. The program level of $2.3 billion a year from 1975 through 1978 represents the amounts to be made available to communities and the estimated level of commitments made.

Outlays

Outlays through 1974 represent outlays only for the existing Community Development programs which are being terminated. In 1975, an additional $1,867 million will be expended under these programs even as the new Better Communities Act is implemented. After 1975, outlays in subsequent years will be made out of the $3,891 million in undisbursed obligations still remaining. These outlays will all represent expenditures to liquidate obligations previously made, and they will not be affected by the implementation of the new program.

Outlays under the Better Communities Act in 1974, its first year of implementation, are estimated at $560 million. These represent the amounts estimated to be drawn down out of the Federal Treasury to liquidate commitments made by communities out of the $2.3 billion in program level. The budget was prepared on the assumption that a letter of credit or similar procedure would enable communities to draw their cash needs as required, rather than receiving grants in lump sum payments. This process does not affect the level of community activity, but it assures that cash flows from the Treasury in relation to its rate of use.

The estimate of $560 million reflects a lag between the point the community enters into a contract or obligation and the time payment is actually made. When the program is implemented, the payments, based on the rate of community activity, may be higher or lower.

This estimate was made on the basis that a start-up time will be needed as cities negotiate, make contract awards and otherwise bring into operation new programs of their choice. It should be noted, however, that the full $2.3 billion will be available to communities to enter into such contracts and programs.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROGRAM LEVELS AND OUTLAYS, BETTER COMMUNITIES ACT AND COMMUNITY DEVELOPMENT PROGRAMS

[In millions of dollars]

	Fiscal year estimate						
	1972	1973	1974	1975	1976	1977	1978
Program levels:							
Existing community development programs	2,471	2,379	138				
Deduct nonrecurring items in urban renewal programs:							
Disaster assistance		−510					
Relocation Act amendatories	−510						
Better Communities Act				2,300	2,300	2,300	2,300
Total program levels	1,961	1,869	138	2,300	2,300	2,300	2,300
Outlays:							
Existing community development programs	1,960	1,854	1,905	1,867	(1 2)	(1 2)	(1 2)
Better Communities Act				560	1,700	2,200	2,300
Total outlays	1,960	1,854	1,905	2,427	(1)	(1)	(1)

[1] Not available

[2] Estimates for fiscal year 1976 and subsequent years have not been formulated. However, an estimated $3,891,000,000 in undisbursed obligations will remain at the end of fiscal year 1975, to be expended even as outlays occur under the Better Communities Act.

Senator MUSKIE. You experts use me to fight against each other and I get confused.

Secretary LYNN. I didn't realize I was fighting with Mr. Ash.

Senator MUSKIE. I don't mean you two. I mean my unidentified expert. I will have to get his permission to identify him. In any case, I value his judgment, as I have for years in this field. He has made this analysis for me and I would like to get your response so that I could take your response to him and say, "Now, will you fellows get the cats and dogs separated so I can see which is which?"

Secretary LYNN. Absolutely.

Senator MUSKIE. Mr. Ash, I am rather curious about your Mr. Joe's chart. You used that chart to justify the President's special revenue-sharing proposals as a way of straightening out all the redtape and bureaucracy at the Federal level. That is your justification.

This chart was produced by Mr. Thomas C. W. Joe, Special Assistant to HEW Under Secretary Veneman. The thrust of his study was that it was almost structurally impossible for a mayor to coordinate HEW subsidy programs, not because of the organizational snarl at the Federal level but because of the organizational snarl at the State and local level. That chart demonstrates his point.

This is what he said:

> No mechanism exists to coordinate the programs at the point of delivery. The only way that a mayor could develop such a mechanism would be the full and aggressive support of State and county officials.

So he concludes, contrary to your conclusion:

> Revenue sharing will simply transfer the fragmented programs now operating at the Federal level to State and local governments which are fragmented. I think the Federal categorical structure must be repaired, not abandoned.

So the chart which you use to support one point of view was built to support the direct contrary point of view.

Mr. Ash. Mr. Chairman, may I now respond to that?

Senator Muskie. Yes.

Mr. Ash. The chart was not submitted as justification for special revenue sharing. It has a much more fundamental justification than just one chart having to do with dropout programs.

This is evidence, and this is particularly evidence, not only of the confusion and snarl, but most of all, it is evidence of the fact that the elected city officials, the elected State officials, the elected county officials, have little to do at present in their communities with the administration of these programs.

The basic objective of special revenue sharing and of new federalism is to put back into the hands of the State and local governments the powers, the authorities, the resources to carry out the programs that they wish under their direction and under their responsibility. Most of all, this chart shows that this Federal apparatus is working in intricate ways in the local level without very much participation and direction or responsibility of the Governors or the mayors.

That is the key point and the key point of new federalism is to put authority, responsibility and resources into the hands of the local elected officials.

Senator Muskie. Mr. Ash, your vision permits you to see only the upper third of the chart, it is clear. The lower two-thirds of the chart is the confusion and fragmentation in authority of which Mr. Joe's study was speaking.

What do you do when in the city of Milwaukee the city is prohibited by law from establishing a city sales or city income tax, and yet it is faced with these problems?

In Gary, I already read you that. The city is prohibited by law from using a sales or income tax and the legislature is about to prevent it from increasing the property tax.

In the city of Seattle, both the city sales and local property tax are presently utilized to the maximum limit established by statute, and those limitations on local government are more than matched by the organizational limitations.

You say by creating four special revenue sharing programs, putting \$6.9 billion into four revenue sharing programs, with no Federal strings attached and dumping that, putting it on a stump where the local governments can reach it, they will have the means to do it, organizationally and resourcewise.

Mr. Ash. Mr. Chairman, this chart vividly demonstrates that the Federal Government apparatus is working around the Governors and the mayors, those whom the citizens should charge with the responsibility for carrying out programs such as these in their areas.

By working around those elected officials and those constituted governments, it is creating a tremendous snarl where, as an alternative, that same amount of money, were it put into the hands of the mayors and the Governors, they could fashion and form the programs under their control, under their direction and under their responsibility and be much more effective in achieving the end result for which these tremendous amounts of moneys are being spent.

Senator MUSKIE. Mr. Ash, what you are saying is so much hogwash.

I have been a Governor. I will tell you why these lines go from the Federal level to the local level. It is because States refuse to get involved in the problems of cities and refuse to move. When I was Governor, I found a very simple way of getting the State involved. That is by providing some State money.

When I took office, the State had no role in urban planning, so I put up 25 percent State money and lo and behold the State had a role.

You fellows have been belaboring these categorical programs. Let me put a little history into this record. Why did categorical programs come into being? Because someone had the objective of creating organized confusion in the American governmental scene? No. They came into being because problems were neglected. They were narrowly focused and overly tied up in red tape because conservative elements in the Congress insisted that if they were to be passed at all that they be narrowly focused, and that Federal strings be tied all over them so they couldn't be run away with.

This is the impulse that created these programs. As far as the need for straightening out the mess is concerned, I was on record for that long before you gentlemen were ever in the Federal Government here in Washington. I am still committed to it and introducing legislation to do it.

But I object to the method you use, creating chaos and confusion. You haven't disabused me of the notion that is what you have done.

I have taken more than 10 minutes. Senator Roth has a right to come in and then I will continue.

Senator ROTH. A questionnaire has been sent out by the subcommittee, and one of the questions is—and I think it should be brought out for purposes of the record—"Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?"

It is my understanding that these answers come from cities of 100,-000 or larger. I would like to read, for purposes of the record, these answers to this question of whether or not they prefer a broad block grant to a categorical grant.

The first one is Albuquerque, N. Mex., Anaheim, Calif., yes; Austin, Tex., recommends a mix; Boston, yes; Bridgeport, yes; Cedar Rapids, Iowa, yes; Chattanooga, Tenn., yes; Chicago, yes, in addition to present funding; Cincinnati, Ohio, yes; Colorado Springs, yes.

Mr. Chairman, I am going to ask the staff to put into the record the answer to this question because I think it is important to recognize, as I glance through these answers—and there are several hundred in here—that a large proportion of the cities who are larger than 100,-000 favor broad block grants over categorical grants.

Let me ask one question of the group here: Isn't one of the main complaints of the categorical grants that it forces cities often into spending money where there is not the greatest need?

Secretary LYNN. Absolutely. In fact, studies have been done that have amazed even the mayors in this regard, going back to the National Journal.

A number of the mayors when they took a look at the totality of what had been spent in their community, Federal money plus the local

sharing, were amazed to see the canting of that away from areas that they would have considered primary priority.

Secretary WEINBERGER. When there is an available Federal grant, you automatically have a committee that springs up in order to raise the matching funds and put pressures on the legislatures or the city councils to make application for it.

It is simply impossible to lay a Federal allocation before anyone without having them apply for it whether it is needed or not. Pressures build up as soon as there is available a Federal program.

A committee is formed and the long process of preparing applications is started. The matching grants are raised and are not used for the purposes really needed, because of this illusion that there is free Federal money around.

The simple checkwriting operation to get the dollars out and tell the people to use them for these broad purposes is infinitely better from every point of view.

Secretary LYNN. Let me ask this question: Isn't a second major complaint the uncertainty in the categorical grants?

Secretary WEINBERGER. Uncertainties and the delays, and the need to raise matching funds. No one has any idea when or whether the grant is going to be approved.

I have seen in some cases 2½ years for a Model Cities application some years ago for Los Angeles. At no time did they have any idea whether they actually would get it or not.

What we are proposing is a simple formula under which they can compute the amount they will get each year.

Senator ROTH. Will this revenue sharing throw out of work the hundreds of Washington representatives who ferret out funds?

Secretary WEINBERGER. I hope so.

Senator ROTH. I have one question I would like to ask on the so-called game of grantsmanship. Hasn't that tended to favor the big States, the big universities, even the big counties?

Secretary WEINBERGER. It is what we frequently hear in court, Senator, that it favors the man who gets the best lawyer. It favors the city who can find people who either used to work for the Federal agency or in one way or another have become experts in making applications for grants.

There is a certain pattern that they know that is well liked by the people back here who review those grants. They know all of these proper words and key phrases and they can drop those in. They have a better chance of getting it.

A quick study of the allocations of the funds to the cities, counties or States, can show that need has very little to do with it. That is one of the things we want to avoid. The President has directed that the funds in this Federal budget be used to the greatest possible extent to go to the areas of most need, most immediate and most pressing need. That is one of the real bases for all of these programs.

Senator ROTH. Has any study been made as to how much it costs the State and local governments, as well as the schools, to secure grants under the categorical method?

Secretary WEINBERGER. I have not seen any from this end. I know in California when I was there very substantial amounts were used up

in this process. Some of the State's school districts didn't keep adequate overhead or accounting procedures to enable them to tell exactly how much time and effort was devoted to this. But I am aware of some situations in which the cost, when it was properly computed, for preparing the application, coming back to Washington, going through the two or three revisions, and finally getting the money and the delay, adding in the present cost of the dollars and everything else, exceeded the amount of the grant, itself that was finally obtained.

I don't think that is a unique situation.

Senator ROTH. Hasn't there also been the problem of waste of manpower, the fact that the so-called experts in the State and local governments have to devote a major portion of their time to following applications and not to getting the job done?

Secretary WEINBERGER. Without any question, yes.

Senator ROTH. Those are all the questions I have, Mr. Chairman.

Senator MUSKIE. I would like to ask some more specific questions, if I may. I wanted to ask some about the education sharing program.

Before I get to that, Mr. Secretary, I would like to ask some questions to which any one of you can respond.

I can't resist asking Secretary Lynn—

Secretary LYNN. I am not sure I like the grin on your face, Mr. Chairman.

Senator MUSKIE.—whether you agree with the President's statement that the urban crisis is over. If in fact, it is, it seems to me these programs must have had some effectiveness.

Secretary LYNN. I do agree, of course, with the President. I know that comes as no surprise to you.

As I have said on prior occasions when I have been asked the same question, the rhetoric used the word crisis back at the times we did have some problems in the cities that looked like there might be no tomorrow, cities in flames, terrible problems of that kind, riots, disorders and the rest.

What the President is saying is we have seen a tremendous retreat from that kind of a situation, affording us time for calm deliberation on the best ways to treat these problems of the cities and still be fair to our taxpayers throughout the country in doing it.

Senator MUSKIE. So urban problems is a crisis only when in flames?

Secretary LYNN. No.

It is interesting to note that the media didn't pick up the very next paragraph each time he said it, acknowledging and stating that there are very major problems that exist and we intend to get on with those. But we are going to get on with them in ways that make sense where we think we get the greatest impact for the taxpayers' dollar.

Senator MUSKIE. So the crisis is over but it isn't?

Secretary LYNN. No, that is not the point at all. You can have a patient that still needs treatment but he isn't about to die tomorrow.

Senator MUSKIE. You look at these pronouncements and the emphasis given by the press from one point of view and I look at it from another point of view. What we read is that the President is saying, "By God, this crisis is over and it is over because I have been President for four years."

That is a permissible political posture to take. But you can't take that posture and create the impression you have solved the problem and not be questioned about whether or not the problem still exists.

Secretary LYNN. He did not state he had solved the problems. I don't believe he said we have solved the problems. He said problems do remain and now is the time to come up with new solutions to those problems, solutions that will accomplish the end result and still not result in inflation or hurting the taxpayer.

Senator MUSKIE. Just by chance I happen to have his speech here.

Secretary LYNN. By chance I think I do, too.

In the third paragraph he says, "Many of these problems still persist but I believe we have made sufficient progress in recent years that fears of doom are no longer justified. What is needed today is calm reflection upon the nature of modern community life in the United States, a reassessment of the manner in which we are trying to solve our remaining problems, and a firm resolve to get on with the task."

That is not a man who is saying all the problems have been solved.

Senator MUSKIE. Maybe we ought to put that speech into the record so we can all reflect upon it calmly.

Secretary LYNN. The President's message?

Senator MUSKIE. Yes.

Secretary LYNN. I would be delighted.[1]

Senator MUSKIE. Now if I may get down to some simple questions. Our recent study of Property Tax Administration, which we released last week, indicates that the States have done little to improve the administration of the property tax in the past decade.

I would like to ask whether the administration has evidence that the State and local revenue raising systems are really adequate to pick up the slack resulting from cutbacks in Federal assistance.

I have given you some specific examples of the difficulties that have been posed by some of the mayors. I wonder if you have a judgment based upon any valuation of their capabilities.

Mr. ASH. Mr. Chairman, let me just answer one part of it and that is what was assumed in there. You said to make up for the slack resulting from cutbacks.

I think it is important to also have the record include in it, and for all of us to know, that Federal Government payments to State and local governments over the years have gone up tremendously and continue to go up, from a level of $20 billion 1969, growing steadily upward, to a total of $45.9 billion paid from the Federal Government to State and local governments in 1974, or will be, a doubled amount, and, for that matter, an amount that is 25 percent up in just 2 years.

So if we are talking about taking up slack, I think it is important to make it very clear that there is a continual increase, not a decrease, of Federal Government payments to State and local governments and in the last 2 years up 25 percent.

Senator MUSKIE. In juxtaposition to that it might be useful to have in the record this figure which represents the increase in State and local taxes from 1956 to 1971. It was 322 percent.

Secretary LYNN. We can match data of all kinds here. If we went back that far——

[1] See p. 488.

Senator MUSKIE. I think the record shows pretty clearly since 1958, and I have been watching it for years, that the greatest escalation in the cost of government, government debt, taxes, government employees, has been at the State and local level.

In 1950 Federal employment was 2.1 million and in 1970 it was 2.7 million. In State and local employment in 1950 it was 2.5 million and in 1970 it was 10.1 million. So there has been great growth in government and pressure which has been at the State and local governments.

The Federal Government began to come into it in the late 1960's because of that pressure.

Secretary LYNN. May I answer by putting further perspective on what you just said?

In 1959 Federal aid was 13.9 percent of State and local expenditures. In 1974 it has gone up to 21.2 percent. There is a continual increase in the Federal Government's participation in the total outlays by State and local governments. It continues to provide a bigger percentage of those totals.

There is a table covering each year from 1959 through 1974 included in the special analysis to the budget for fiscal 1974 which I think could very appropriately be in this record, given the subject matter of this committee.

Senator MUSKIE. There is no question about that. I would agree with that. In fact, I have done all I could to contribute to that because we need it to support the State and local governments by additional revenues.

I take it you concur in that objective. That is why there is general and special revenue sharing. The question before us is really whether or not that level of Federal support should be cut back, and, second, how it should be administered. These are the two questions.

The fact that the growth has taken place is a matter of record, yes.

Mr. ASH. I am glad we do agree that it is the right direction to go and it is evidence that in contrast to there being a slackening, quite the contrary is shown to be the case year after year. There is an increasing flow of Federal moneys to the State and local governments, not a slackening of those funds.

Senator MUSKIE. The only point I wanted to make was that the flow of revenues from the State and local tax sources has been greater than the flow to which you address yourself.

In other words, the burdens have been growing heavy at the State and local level notwithstanding the increase in Federal support. I think the figures show that.

Secretary LYNN. Mr. Chairman, if I might comment for a moment on that, that has certainly not necessarily been. I would say it is consistent with the new federalism that where decisions are made as to an increase in taxes, they should be made by the people who are directly impacted by those decisions.

Senator MUSKIE. I agree with that. But if the effect of cutting back is to put back unconscionable burdens at the wrong place, then I say it is bad.

Secretary LYNN. But, of course, you said very rightly earlier that there is a difference of opinion between yourself and this panel with respect to whether that is a fair interpretation of what we are doing.

Senator MUSKIE. That is right. I didn't expect to resolve our differences, but I wanted our differences to be clear in the record.

Secretary LYNN. I am all for that.

Senator ROTH. Would the chairman yield for one question?

Senator MUSKIE. Yes.

Senator ROTH. There have been a lot of complaints about general revenue sharing from the standpoint that it divides the responsibility for collecting and spending but no guidelines from Washington.

I wonder if you gentlemen would care to comment on the possibility of ultimately adopting some kind of a tax credit whereby the Federal Government would encourage the States to use income tax which will grow with the economy, and let them credit a certain percentage directly against Federal income taxes.

Mr. ASH. That would be a good subject for discussion after we have first gotten general revenue sharing and in turn special revenue sharing in place and working and are all confident that there can be substantial improvements in the whole of our society through this route.

I have no particular ideas as to that very specific question that you have asked, but certainly it is one further ramification of the basic ideas of new federalism, to place the authorities and responsibilities back near the people.

I am sure the subject you bring up is one that does deserve considerable attention in that very regard.

Senator ROTH. I might say in my own 5-year revenue sharing I phased that out in favor of the tax credit, but I think one of the things, to move in that direction, is that you have to encourage States to eliminate any constitutional limitations. Otherwise, it would not be feasible.

Mr. ASH. Yes, sir.

Senator MUSKIE. I would like to get to some specifics on special revenue sharing.

Last year in the fiscal 1973 budget, the four programs were proposed to be funded at $9.4 billion. In the 1974 budget the figure is $6.9 billion. That appears to be a cut of $2.5 billion in terms of your own recommendations for funding those four programs.

Would you want to comment?

Mr. ASH. Fortunately, or unfortunately, I had nothing to do with the preparation of last year's numbers. It is the first time I heard last year's numbers. But I do know somebody who was closely involved in that preparation and maybe he recalls history.

Secretary WEINBERGER. There was a different fiscal situation in the preparation of that fiscal year budget, Senator. What we did was provide for a so-called sweetener or an additional amount in various revenue sharing proposals, which was a sum that was over and above the amounts that would be folded in from the categorical programs.

The Congress more than absorbed all of the available dollars and went $11 billion over the President's recommendations for a ceiling, indeed $11 billion over the amount that each House voted that it felt was a proper ceiling in fiscal 1973. Consequently there was, of course,

no room for anything like a sweetener of that kind in the revenue sharing proposals that are made this year.

But there are proposals for folding in, in the case of education, about 30 to 31 categorical programs into a revenue sharing proposal that we believe will, because of the freedom from harassing programmatic requirements and raising matching funds, be of equally great benefit to the States.

Senator MUSKIE. Let me focus on this. Are you saying that the urban community development figure of $2.3 billion covered something different in 1973 than the $2.3 billion for urban community development in 1974 or are they the same?

Secretary WEINBERGER. I don't recall precisely. I would have to refresh my memory on 1973. Secretary Lynn is probably more familiar with it. I believe they are the same.

Secretary LYNN. It was intended to cover the same programs except, I believe, that on one side of the House water and sewer were taken out and on the other side of the House as they went along Model Cities was taken out.

Senator MUSKIE. I understood that the $2.3 billion for 1973 did not include Model Cities but that the $2.3 billion for 1974 does include Model Cities.

Secretary LYNN. I would have to check that, Mr. Chairman. I am not certain of that.

Senator MUSKIE. The Senate bill last year did not include Model Cities.

Secretary LYNN. Incidentally, when you mentioned the $9.-something figure, were you including all revenue sharing or just the four?

Senator MUSKIE. Just the four.

The figures are the same each year for urban community development. They are different for education. They are different for manpower. They are different for law enforcement.

Secretary WEINBERGER. There are reasons for the difference.

In the education, we are proposing again, as every President since President Truman has proposed, that we eliminate the impacted aid program because it does not put funds where the need is.

We are proposing that we terminate the emergency employment program under manpower special revenue sharing because we believe that the correct period of time for that to be in effect was the one stated by the Congress, which would expire on June 10.

Senator MUSKIE. Secretary Weinberger has added another element.

The budget provides $2.5 billion for education revenue sharing and yet he used a figure of $2.8 billion.

Secretary WEINBERGER. $2.7 is what the figure is. The figure for 1973 is $2.7246 billion.

Senator MUSKIE. On page 14 of this document, education is listed at $2.5. That is how I came up with the $6.9 figure.

What is the difference between $2.5 and $2.8?

Mr. ASH. The budget authority of the $2.5 that is part of the $6.9 and in contrast to what number?

Senator MUSKIE. The figure Secretary Weinberger used.

Secretary WEINBERGER. I am advised that part of the problem is that we were carrying the school lunch program in the Department of Agri-

culture and it will now be carried in education revenue sharing budget. That is where the difference is.

Senator MUSKIE. So the figure for revenue sharing should be increased?

Secretary WEINBERGER. Yes.

Mr. ASH. The $6.9, with that adjustment, becomes $7.1, I believe.

Senator MUSKIE. Now with respect to education further, last year's budget proposed $3.2 billion and this year's budget proposes $2.5 billion.

Secretary Richardson had earmarked, as I understand it, according to the January 6 issue of the National Journal, $3.8 billion for education revenue sharing.

Secretary WEINBERGER. I don't know what the National Journal bases it on and I don't know what Secretary Richardson based it on. What we have to operate on are the sums that eventually find their way into the budget. Those are the figures I gave a moment ago.

Senator MUSKIE. Let me read this and if you want to you can comment later. "The special revenue sharing proposal for education advanced by HEW Secretary Elliot L. Richardson to the White House for consideration is a larger package than the administration introduced in the 92d Congress. The price tag on the original proposal was $2.9 billion. The new proposal would consolidate education programs now funded at a level of an estimated $3.9 billion. A major new addition to the education special revenue sharing proposal would be emergency school aid funds which total an estimated $789 million. The proposal would consolidate some 35 categorical education programs into five block grants.

"A comparison of the funding levels of the five elements of the education revenue sharing proposal follows. The size of the earmarks in the original bill has been revised to reflect the higher levels of funding which HEW has requested for these categories in fiscal 1974." The figures are in millions and rounded.

I will put that table in the record.

Bloc grants	Earmark in original bill as revised by HEW's fiscal 1974 budget estimate	Earmark in HEW's new education revenue-sharing proposal
Aid to disadvantaged	$1, 742	$2, 597
Aid to handicapped	38	82
Impact aid	374	265
Vocational education	480	427
Supportive services	284	488
Total	2, 918	3, 859

Source: HEW Department.

Senator MUSKIE. Would you like to submit a reconciliation?

Secretary WEINBERGER. There is no reconciliation required. What you are reading from is a speculative account of what somebody thought was a proposal that had been advanced from one department to the White House. The only thing that we can operate on, Mr. Chairman, are proposals that are approved by the administration.

This is as useless, if I might say so for this purpose, as if I put into the record a preliminary draft of one of your speeches prepared by one of your staff members before you had an opportunity to approve it.

Senator MUSKIE. I might get better speeches.

Secretary WEINBERGER. You might. But then it would become official and we could then use it.

Senator MUSKIE. The staff doesn't like what I do to their speeches.

Mr. ASH. That might be difficult to reconcile.

Senator MUSKIE. Maybe their sources are inaccurate, but I think we ought to make clear that this is the revised educational revenue sharing proposal of the then Secretary of Health, Education, and Welfare and it must have represented pretty hard judgments on his part as to what the facts indicated to him at that point.

Secretary WEINBERGER. I couldn't accept that. I think that is a speculative account of what somebody thought he might have advanced in a preliminary way to the administration.

Senator MUSKIE. Knowing how these leaks occur, Mr. Secretary, you will pardon a little cynicism on my part in response to what you say.

Secretary WEINBERGER. Certainly, and you will pardon a little of mine in response to the accuracy of the account.

Senator MUSKIE. Incidentally, this sort of thing is one of the reasons why I offered the legislation to which Mr. Ash objected so vigorously earlier this year, so that this sort of thing wouldn't happen. As it is, the Congress of the United States apparently has to resort to the National Journal to get clued in on administration plans in the early developing stages.

That is another reason why I raised the issue this morning.

Mr. ASH. I am afraid my vigor in objecting didn't match your vigor in proposing.

Senator MUSKIE. I guess we both have been vigorous.

Secretary Weinberger, with respect to some of the specifics of your testimony, you speak of States creating comprehensive plans for the use of Federal education funds, and you say the creation of such plans would involve genuine citizen participation.

How much time do you anticipate such a process would consume?

Secretary WEINBERGER. It would, I suppose, vary in each State, Mr. Chairman. The whole point of it is that what we feel should be done is what the States, the cities, the counties, the school districts themselves decide should be done. I don't have any uniform proposal in mind to impress upon or force upon the States and local school districts. I think that the best way to go about this would be to have the funds distributed under the broadest possible guidelines and let the States, cities and counties and school districts make up their own minds as to the proper use of these funds within these broad guidelines we are talking about.

Senator MUSKIE. What happens to the funding of existing programs in the period during which the State plans are being created?

Secretary WEINBERGER. The States themselves, many of them, have plans. Given the funds I am sure many of them would use the appropriation process that is already in place, hold their own hearings, get

whatever citizen participation they wish, and allocate the funds. That has never been a problem that I have encountered before. For the next period of time they would not have only a longer period of time but much more certainly as to the amount of money they would be getting, the point Senator Roth was making a moment ago.

Senator MUSKIE. You are saying that the distribution of education funds to the States would not be tied in any way to any evaluation by you of whether or not the States have created a comprehensive plan?

Secretary WEINBERGER. I would say that what we feel is the proper priority is to get the States, cities, counties and school districts some additional funding that will not require an additional tax load on the people of those local areas, and let them make up their own plans and let them put them into effect. I have great reliance and great faith in the ability of the people to determine whether or not their State and local governments are doing a good job. I have faith in the ability of these State and local interests to impose evaluation tests of their own.

I have very little faith in the ability of the Federal Government to tell everybody what is the best thing to do in local governments, cities, counties and towns that fortunately have great differences all over this country.

Senator MUSKIE. So the brief answer is that the plans created by the States would not be monitored or require Federal approval?

Secretary WEINBERGER. They would not require Federal approval. They would certainly be audited to make sure they went for the educational purposes. They would certainly be audited to insure that the Federal civil rights laws were not being violated, as with general revenue sharing. We believe that the evaluation can best be done locally, and that our role should be to insure that these funds are going for the broad purposes for which we have requested them, and that there is no violation of the civil rights laws at the time the funds are being expended.

Senator MUSKIE. When will the minimal review and monitoring of which you speak take place?

Secretary WEINBERGER. It is hard to audit anything before it goes out. What we want to make sure of is that the funds sent out for educational revenue sharing are used for educational purposes.

Senator MUSKIE. They cannot be audited before they are spent, but you can examine the comprehensive plans for which you express such high hopes in your statement.

Secretary WEINBERGER. I think there will be comprehensive plans.

Senator MUSKIE. But you would not monitor?

Secretary WEINBERGER. We believe that capability is present in State and local government and we don't have the assumption that I think you have, Mr. Chairman, if you will permit me to say so, that only the Federal Government has the wisdom to decide whether these are right and proper ways to spend the money. We don't assume that.

Senator MUSKIE. I don't have that assumption nor do I have the assumption, Mr. Weinberger, that such wisdom resides in the State and local governments.

Secretary WEINBERGER. I have more faith that it resides there. I have a faith that it resides with the people and I think the people have

a much better opportunity to express and exercise that if they can operate and deal with their State and local governments rather than having to come to Washington.

Senator MUSKIE. Mr. Secretary, I really wasn't inquiring into your faith.

Secretary WEINBERGER. You expressed yourself and I thought it was proper to express my views.

Senator MUSKIE. I asked a very specific question. I think I know what the answer is. Let me state what I think you said and then you can challenge it. Maybe that will shorten the exchange.

You spoke of comprehensive plans for the use of Federal education funds. I asked whether or not there would be any review or monitoring of those plans, even any determination as to whether they exist, before you distribute the funds. I take your answer to be "No."

Secretary WEINBERGER. My answer is, Mr. Chairman, that I have never found or felt that there was any value or seen the value in subjecting States, cities, counties, and school districts which need these funds to the vagaries of what someone in Washington thinks constitutes an adequate or a proper comprehensive plan.

I do believe that the funds should be used for the purposes intended by the Federal Government.

Senator MUSKIE. So the answer is "No"?

Secretary WEINBERGER. The answer is as I have expressed it.

Senator MUSKIE. Do you have the word "no" in your vocabulary, Mr. Secretary?

Secretary WEINBERGER. Yes. A lot of people think I have no other word.

Secretary LYNN. I certainly thought so when he was in OMB, Mr. Chairman.

Senator MUSKIE. I was trying to get away from the partisan approach to get down to some specifics for just a moment. But I guess the temptation is too great.

Since you will not be monitoring the programs themselves, and since you suggested you were going to audit, I wonder whether or not you are going to audit in a way that would trigger either a withholding of Federal funds in the event whatever minimal standards you set weren't met. In other words, are you going to have any strings that you will be able to pull if your post audit suggested the distribution of Federal funds in ways that violated these minimal standards of which you speak?

Secretary WEINBERGER. Yes.

Senator MUSKIE. So there will be a pullback?

Secretary WEINBERGER. Yes.

Senator MUSKIE. Since I may have missed it, will you go over again the standards that you intend to apply?

Secretary WEINBERGER. Those standards are, Senator, that the funds should be used within the five broad guidelines that will be outlined in the bill when it is submitted, and that there should be no violation of the Federal Civil Rights Act.

When the audit takes place, the audit will attempt to determine whether or not there has been any violation of any of these points. If there has been, then we would certainly not hesitate to take the proper

steps to recover the funds that were improperly used or withhold them from future payments.

Senator MUSKIE. In your statement you speak in that connection of the Federal responsibility to insure that equality and quality education and opportunity is available to all.

Are your standards going to be comprehensive enough to anticipate all of the shortcomings in that connection that stand between any American child and quality education and opportunity?

Secretary WEINBERGER. Yes.

Senator MUSKIE. Your standards require that you go beyond the protection of the civil rights laws.

Secretary WEINBERGER. Yes.

Senator MUSKIE. Do you think that if you meet the requirements of the civil rights laws, they and nothing more would insure that every American child gets a quality education?

Secretary WEINBERGER. What you are trying to say is that the only Federal effort in education will be through the education revenue-sharing measure. That is certainly not true. This is a much better way to go, we believe, than the 30 to 31 programs we have now.

Senator MUSKIE. You made that point. What I am trying to find out is what you mean in your statement, what you propose to do beyond what you have suggested to exercise what you describe as the Federal responsibility to insure that equality and quality education and opportunity is available to all. I am simply asking for you to answer the question.

Secretary WEINBERGER. I will try to answer it. The point I was trying to make was that with the special revenue-sharing measure for education we combine 31 of the programs. There are a great many more. There are probably somewhere in the nature of 105 programs for education that the Office of Education has something to do with. These programs would continue and will continue to fulfill part of that basic objective. So will education special revenue-sharing measure.

The fact that the Federal Government is standing looking over everyone's shoulder to make sure that someone in Washington thinks it is an adequate and comprehensive plan is no way to insure or guarantee that you get quality education.

Senator MUSKIE. Mr. Secretary, you are the man who advocated the comprehensive plan in your testimony. I simply asked what it meant. What you are telling me is apparently that it is just a piece of paper that may or may not exist.

Secretary WEINBERGER. No, sir. I am saying to consolidate these programs instead of forcing States and school districts to forego their own priorities. By putting in applications for Federal funds and all the rest, we destroy any attempts to have comprehensive plans of their own. By consolidating these funds and giving it to them under these broad lines we give them the opportunity to develop comprehensive plans of their own for the first time, I think.

Senator MUSKIE. I am trying to get you to define what you refer to as the Federal responsibility. You have made clear that you want to give opportunity for the exercise of responsibility to the State and

local level. You have also suggested that beyond that there is a Federal responsibility of some kind. I am just trying to find out what kind.

It is to promote, and you used the word, that equality and quality education and opportunity is available to all. I am asking for your definition.

Secretary WEINBERGER. As I have tried to state quite a few times, the additional Federal help over and above this special education revenue sharing is available to fill in any gaps that may exist in particular parts of the country or to try out some of the experiments in research and development work that we are carrying on now through the National Institute of Education and other educational programs in Washington, and to have pilots and demonstrations and models to test this out so that we will have an opportunity for States and local governments to see some things that they may not feel they have the funds to try on an experimental basis, all designed to help them adopt and utilize and help finance with Federal funds such things as they wish to put in place in the form of innovation experimentation and things of that kind.

Senator MUSKIE. In other words, the Federal role is not insuring at all.

Secretary WEINBERGER. Yes, that helps insure it, very much so.

Senator MUSKIE. How do you make sure that you insure?

Secretary WEINBERGER. By giving the States the opportunities and the funds——

Senator MUSKIE. How do you measure the results to determine whether you insured quality education for every child?

Secretary WEINBERGER. It would be helpful if I could finish the sentence. What I am trying to say, Mr. Chairman, is that what we would be doing would be to insure that by insuring the States had a far greater opportunity to refrain from a lot of wasteful efforts to put together the applications for funds, to receive these funds. Instead, we want them to make up their own plans, to follow their own bent, and we would fill in gaps with various kinds of individual programs that continue and with the transferability features in the revenue sharing so that we could move funds back and forth from category to category.

Your questions seem to be based entirely on the assumption that the Federal Government knows best about these things. What I want to do is give the States the resources to insure that.

Senator MUSKIE. There is no such assumption in my question, Mr. Secretary.

Secretary WEINBERGER. I am glad of that.

Senator MUSKIE. For the purpose of my question, I am simply trying to find out what you meant. What you mean is something different than what you say.

Secretary WEINBERGER. No, sir. I believe it is not. I believe I have answered it as fully as I can.

Senator MUSKIE. I think probably you have answered it as fully as you can, in light of the program. I don't think there is any way under the program as you have described it of meeting your own test of insuring quality educational opportunities for all.

There is nothing in the machinery that you have spelled out to suggest to me that you are even going to look at the results to determine whether or not this special revenue-sharing program, plus whatever other hangovers there are, will, in fact, achieve it, because you are not going to monitor it, you are not going to——

Secretary WEINBERGER. Mr. Chairman, what we are going to try to do under the program, as I have said three times, is to give the resources to the States to enable them to meet these needs on a comprehensive basis. We stand ready to fill in some gaps and move funds around in a flexible way.

We do not feel that we have the ultimate wisdom to monitor everything, to say whether in fact it is doing precisely what we think it should do, as opposed to what local residents and local governments and local school districts feel are the proper priorities.

Senator MUSKIE. You have made your philosophy clear. Your program is less than clear, from my point of view. Since you keep returning to the philosophy, let me make the point that the history of the creation of these categorical programs is replete with evidence that leaving responsibility for quality education, and so forth, to the mercies of local political power structures demonstrates that equality does not come automatically even after 200 years. You apparently believe that the State and local governments have now reached the point in their evolutionary process where if we were able to impose that structure and that capability upon society 50 years ago we wouldn't have inequality such as we have today.

I think the chart refutes that from an organizational standpoint. I think State constitutions and laws refute that from a legal and resource standpoint. I think the continuance of inequality at the local level across this country demonstrates it in terms of reality that we have not reached that point.

I happen to believe that there are healthy forces moving in State and local governments. I think they have improved markedly. But I think they still have a long way to go.

I think we ought to reshape our Federal policies and organization in such a way as to supplement those healthy forces that are developing and that we ought not to use the abrupt method of cutting off what we are doing now and trust somehow to the emergence of good faith, good will and the belief in God at the local level to finish the job that has been started.

I just don't believe that the Federal Government would be responsive if it were not to establish some way of monitoring the results of whatever new ventures in policy and organization and institutions it may undertake. We have to do it.

I can remember what happened in the highway program about the time I came to Washington. The highway program above all other programs rested largely in the hands of State governments. The paperwork between State governments and the Federal Government was almost minimal.

Virtually every State, including mine, was autonomous in administering the highway program. But what happened about that time? Some scandals occurred, and I wouldn't name the States, representing State government abuses in the handling of Federal funds, and im-

mediately the Federal redtape tightened because the Federal Government was held responsible by the people and by the press, for the scandals that took place at the State level.

So what had been a virtually autonomous highway program became one laden with Federal redtape because of the failure of State and local governments.

I don't applaud that consequence, but I understand why it happened. There is a responsibility here. Sure, you give State and local governments more flexibility, more discretion and adequate support, but you don't abandon Federal responsibility for the results.

I have asked you, Mr. Secretary, for 10 minutes to define what you meant by an exercise of responsibility, asking you to define your own statement, and all you have answered is your philosophy of faith in State and local levels.

Secretary WEINBERGER. I told you exactly——

Senator MUSKIE. I will give you another opportunity to define it.

Secretary WEINBERGER. I told you the kind of audits we planned to make and exactly the reason for it, that we have to get away from the absurdity of the Congress thinking it can act as a national school board, and telling a school if it wants a steam table for a cafeteria it has to apply for a projector.

Senator MUSKIE. I don't know of any law that requires that. You are still giving me your political philosophy in answer to the practical problem of how to assert Federal responsibility for program results.

Secretary WEINBERGER. You made a speech for about 10 minutes to the cameras. Give me an opportunity to respond. The question I am responding to is the one you asked me before, and the response I gave is that the Federal Government's responsibility should be to furnish funds, and the capability to State and local governments and school districts to take these funds and make use of them within the broad guidelines that the Federal Government sets down, to make sure that they do use them within those broad guidelines and to insure that they do not violate the civil rights laws of the Federal Government, and then to exercise local discretion as to the way in which the schools should be run.

I don't consider that an abandonment of Federal responsibility. I consider that an infinitely superior program to one that absorbs the time and the energies and the money of local school districts trying to apply for a lot of separate categorical programs that were imposed as separate categorical programs because individual lobby groups decided they wanted that particular kind of a thing and had no interest in the overall quality of education.

That is why I think we have in this program something that will enormously improve the quality of local education and will indeed fulfill the Federal responsibility to get there.

Senator MUSKIE. Have you finished your answer?

Secretary WEINBERGER. Yes.

Senator MUSKIE. That is as I understood it up to this point and you still haven't answered the question.

Secretary WEINBERGER. You can keep saying that.

Senator MUSKIE. You haven't answered the question with respect to two specific points.

Secretary WEINBERGER. I wouldn't give you the answer you want. That is all you are saying.

Senator MUSKIE. You couldn't give me the answer I wanted if you and I talked until hell froze over. But I am going to tell you that there are two points you haven't covered with respect to the assertion of Federal responsibility.

First, beyond the Civil Rights Act, you haven't told me anything about the guidelines except that these would be set standards aimed at insuring equality of education.

Second, you haven't told me what, if there are such guidelines, you would do if they were not met, or how you would administer or implement or monitor them.

Secretary WEINBERGER. Ten minutes ago I told you we would hold back funds and sue for refunds if we found violations of these guidelines. The bill itself has not been submitted to the Congress but I can tell you the broad guidelines are education for the disadvantaged, education for the handicapped, assistance to schools that are affected in category A of impacted aid, and various supporting services, textbooks, meals, things of that kind. These are the broad guidelines into which we have fed some 31 programs.

If States don't use the funds for these five broad areas which will be in the bill we will submit next week to the Congress, then we would, of course, when we audit, hold back funds from subsequent allocations or sue for refunds.

I mentioned that at least 10 minutes ago.

Senator MUSKIE. I will read the record and refresh my recollection.

If your bill is coming out next week it will give us further detail.

There are a lot of other questions that could be asked. You have been very patient, gentlemen. I am sure it isn't easy to take some of the guff that you have to take in these hearings. We are trying as best we can to identify the differences between us. I think we have to go through this period of disagreement and come down to an area of accommodation that will make it possible to serve the needs of the country.

It is for that reason that I appreciate your coming. I appreciate your patience and your responsiveness, even if you didn't always give me the answer I wanted, Secretary Weinberger.

If there are no further questions, may I say thank you and the hearing is adjourned.

[Whereupon, at 12:45 p.m., the subcommittee recessed to reconvene at 10 the following morning.]

A NEW FEDERALISM

THURSDAY, MARCH 15, 1973

U.S. Senate,
Subcommittee on Intergovernmental Relations,
Committee on Government Operations,
Washington, D.C.

The subcommittee met, pursuant to recess at 10:10 a.m., in room 3302, Dirksen Senate Office Building, Senator Edmund S. Muskie (chairman of the subcommittee) presiding.

Present: Senator Muskie.

Also present: Alvin From, staff director; James E. Hall, counsel; Jane S. Fenderson, counsel; David E. Johnson, counsel; George Beal, minority counsel; Lucinda T. Dennis, chief clerk; and Maria P. Durelli, secretary.

Senator Muskie. The committee will be in order.

I would like to welcome the students from the Washington Workshop here this morning. I didn't realize it was a press corps as well as an audience.

We are delighted to see your interest and, I must say to you, we have two excellent witnesses this morning on this subject of budget cuts and impoundments. Mr. Biemiller, the spokesman for the AFL–CIO and Sargent Shriver, who will be here in a little while.

We are going to have a little gathering of the new alumni association that I am organizing. It is an "Association of Defeated Democratic Vice Presidential Candidates."

We don't want any successful ones in that organization.

Opening Statement of Senator Muskie

Senator Muskie. I would like to read a statement at the outset of this hearing, which concludes 7 days of testimony in Washington on the impact of the administration's 1974 budget and its broad new federalism proposals which could have a serious impact on the way America is governed. The testimony we have heard so far points to the inescapable conclusion that these programs—to the extent that administration witnesses have even been able to define them—promote confusion, not order; retrenchment, not reform; social stagnation, not advance.

And, contrary to the President's rhetoric, his policies would in fact force increases in local sales and property taxes for millions of Americans.

On top of that evidence, we now have proof that the administration is reneging on the income tax reforms the President promised the

Nation last June 22. His top domestic adviser, John Ehrlichman, has stated that the only tax changes that could generate significant new revenues are those which are unacceptable to all of us—eliminating exemptions for dependents and deductions for homeowners' mortgage interest and for contributions to churches and the Boy Scouts.

Either Mr. Ehrlichman is ignorant of the truth or he prefers to conceal it. Maybe he really does want to end personal exemptions and deductions for homeowners' mortgage interest and for contributions to charity. But I think those ideas are preposterous, and the fact that he even suggested them demonstrates how blind this administration is to the interests of working Americans.

Since Mr. Ehrlichman apparently does not believe that we can, or should, restore fairness to our tax system, I would suggest he read the Congressional Record for January 23 at page S. 1050, where I discussed the Tax Reform Act of 1973, my proposals to attack 24 of the worst inequities in the tax code, advantages that primarily benefit wealthy individuals and powerful corporations. The reforms I proposed then would bring in $18.6 billion a year by 1975 by eliminating or narrowing the tax inequities this administration prefers to perpetuate.

They would raise $2.1 billion in reforms of capital gains taxation. They would generate $2.4 billion from new treatment of capital gains at death and $1.1 billion from reduction of the percentage depletion allowance. Repeal of the asset depreciation range system would add $4.2 billion, and $1.3 billion would come from reform of taxes on foreign investments.

None of these reforms would hurt middle-income taxpayers. All of them would affect high-bracket individuals and corporations. Those are the facts, and Mr. Ehrlichman cannot wish them away.

This administration must be made to see the reality the rest of us cannot escape. For special Americans, there are tax privileges. For ordinary Americans, there are only tax burdens, and this administration now offers them no relief, only added distress—new taxes raised at the local level to cover obligations the Federal Government will no longer honor.

The administration is dishonest when it complains about budget deficits and then sidelines the constructive alternative of tax reform. The administration is deceptive when it promises to relieve high property taxes—as the President did in his 1972 state of the Union message—and then acts in a way that forces State and local governments either to increase property taxes or abandon needed social services.

The record of these hearings will show the dangers we face unless the administration modifies its proposals, redeems its campaign pledges and begins to tell America the truth.

It is fitting, I think, that to close this record in Washington we have two such distinguished witnesses before us as Mr. Andrew Biemiller, director of legislation for the AFL–CIO, and Mr. R. Sargent Shriver, former Director of the Peace Corps and the Office of Economic Opportunity.

It is a pleasure to welcome Mr. Biemiller, who, I might say to you young people, used to be a Member of Congress and has been represent-

ing the AFL–CIO effectively and articulately for many years in his testimony on Capitol Hill.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. BIEMILLER. Thank you, Mr. Chairman.

Before I go into my statement, may I request that certain resolutions passed by the AFL–CIO Executive Council and one by the Chicago Federation of Labor and Industrial Union Council be appended. They are significant to the hearing.

Senator MUSKIE. Without objection, they will be included.[1]

Mr. BIEMILLER. Thank you.

Mr. Chairman, the AFL–CIO is deeply concerned by the administration's callous abandonment of social programs that is inherent in its budget for the 1974 fiscal year.

The budget presented to Congress and the Nation on January 29, 1973, is not based on an analysis of the Nation's needs and the Federal Government's responsibilities in meeting these needs; it is an attempt to conform to preordanied targets of receipts and expenditures. It represents a program which will eliminate much that is good and necessary along with some waste.

Dismantling vital social programs, such as those which create jobs, promote educational opportunity, and provide housing, is not the way to improve the quality of life in America and expand employment.

Measures such as general and special revenue sharing, which send federally collected tax dollars to the 50 States and tens of thousands of local government units in the hope that they will be used in the national interest, are a facade for replacing programs and underfunding public improvements. They represent an abdication of responsibility, not a means to promote efficiency in Government.

Increasing efficiency and eliminating waste are laudable and appropriate goals. The Nation's taxpayers are entitled to their money's worth. We know—and the Congress knows—that simply throwing money at problems will not make them disappear.

But we also don't buy the administration's simplistic notion that the problems of taxpayer discontent and Federal financial strain should be solved by: Putting a halt to the enactment of new and necessary programs; underfunding those programs already on the books; refusing to spend funds already appropriated by the Congress for essential public investments in housing, education, environment, health, manpower training, and job creation.

Mr. Chairman, the only way that America is going to solve both the Government's revenue problems and the country's pressing social needs is to directly face both issues. Early enactment of a substantive tax reform program could add revenues sufficient to completely wipe out the anticipated deficit, add billions to the funds available to meet national priority needs, provide the underpinning for a healthy and balanced economic expansion, as well as preclude either an across-the-board tax increase or the slashing of vital social programs.

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[1] See statements beginning on p. 494.

The so-called new federalism is really nothing new. It is the thinly disguised "old futilism" of the States-righters with their rallying cry of "let the States do it." And that slogan means the same today as it meant 15 years ago: Passing the buck to avoid Federal responsibility for national problems.

We would not be here today—and, indeed, there would not be this controversy—if the States had done it or if the States could do it. But they haven't, and they can't.

The broad problems of education, housing, environment, health, safety, and manpower are really national in scope—too big for any State or local government unit to handle alone. Certainly, some States and some cities have tried their best, but they could not do what their neighbors would not do.

At this stage, when the country has identified the problems, begun to attack them and, indeed, made some progress, it makes no sense to turn the clock back.

America faces vast unmet public needs—from sewer, water, and waste treatment systems to jobs, housing, urban mass transit, education, health care, public safety, roads, and recreation facilities.

Fulfillment of these needs requires the cooperation of all citizens and institutions. However, the Nation's major domestic problems are still rooted in the shortages of services and facilities that are traditionally and appropriately the responsibility of Government. Though much that is needed can and should be administered and financed at the State and local government level, it is the Federal Government—which represents all of the American people—that holds the key.

The most pressing domestic issues—such as unemployment, housing, crime, pollution, and health-care—are nationwide in scope and impact. They do not adhere to the lines drawn to bound America's 50 States and 80,000 local government units. They require national leadership, Federal programs and Federal financial support.

A Federal effort to create jobs and the public investments needed to modernize and strengthen the underpinnings of American society began in the 1930's, only to be brought to a virtual standstill by the shortages of money, manpower and materials during World War II. Following the end of the war and through the 1950's, only slow progress was made, at a time when the population was growing rapidly and vast numbers of people were migrating from rural to urban areas and from the cities to the suburbs.

In the 1960's, the long-delayed Federal response came through enactment of numerous programs, which provide funds for State and local governments to use in meeting specific national priority needs, under Federal performance standards. These programs created needed jobs and began to reduce the shortages in many public facilities and services.

Federal grants-in-aid for such programs as elementary and secondary school education, urban renewal, health-care and housing, underwent a more than fourfold increase in the past decade—rising from $10.1 billion in 1964, to an estimated $45 billion in fiscal year 1973, an average annual increase of 18 percent.

This long overdue and badly needed expansion in national programs and Federal funds aroused unrealistic expectations of quick and easy

solutions to problems that had been amassing for decades. In the late 1960's and early 1970's, high interest rates, inflation, recession, and lack of full-funding hampered the ability of State and local governments to finance their share of public investment—further increasing the gap between expectations and what could realistically be achieved.

In the last 4 years, presidential vetoes have attempted to prevent enactment of new and essential programs. Many programs already on the books have been short-changed.

In addition, the administration has impounded $14.7 billion that Congress appropriated for such vital programs as housing for low- and middle-income families, community facilities, water and sewer projects, highway construction and the Appalachian Regional Commission.

Now, according to the policy set forth in the Federal budget for fiscal year 1974, the growth in Federal aid to the States and localities for such vital programs will come to a halt.

For the year ending June 30, 1973, the administration proposes to reduce or terminate programs in the amount of $6.5 billion—for fiscal year 1974, the total will be $17 billion. The budget plan is for program terminations and reductions, which over the next 5 years, would result in a cumulative total of over $100 billion.

If the Congress were to be so short-sighted to adopt these proposals, many vital job-creating, public investment programs, would be totally dismantled and others hamstrung. Many would simply disappear through general and so-called special revenue-sharing consolidations which obscure the national purpose, limit the power of Congress to monitor or control the programs and make Federal performance standards, civil rights guarantees and labor standards difficult to enforce.

Among the numerous proposals to underfund, cutback or terminate Federal programs were the following:

COMMUNITY DEVELOPMENT AND HOUSING

The proposed budget slashes in this vital area are the deepest. In effect, they would represent an end to a direct Federal Government role in revitalizing the Nation's cities and increasing the availability of housing for low- and moderate-income Americans.

Seven programs geared to providing direct aid to the cities to improve the quality of urban living are to be completely eliminated. Major casualties in this list include urban renewal and the model cities program. In addition, programs to provide low-income families an opportunity to attain decent rental housing or to own their own homes will be terminated.

These cuts will also result in substantial job losses—in onsite construction, as well as in the production and distribution of steel, lumber, glass, cement, and other building materials.

But, Mr. Chairman, what disturbs us most about these cuts is the atmosphere in which they were undertaken. Anyone who seriously believes that the hour of crisis for America's urban areas has passed is living in a dream world. The rot of the cities is spreading into suburban areas, and saying things are all right doesn't make them any better.

There has been waste, inefficiency and corruption in the Government and in the Department of Housing and Urban Development during the past 4 years. But the administration would deal with this problem by penalizing the victims of this waste and inefficiency; by penalizing those who look to the Government as the landlord of last resort.

By penalizing the victims—those who need public housing and those communities that need low- and middle-income housing to replace ghetto slums—is the classic case of forcing the victim to pay the cost of the crime.

In effect, the administration is saying to the Governors and the mayors: "You're not going to lose by special revenue sharing. You'll get as much as you're getting now and you will be able to do what you want with the money."

The fact is, Mr. Chairman, the States and cities probably are not going to get as much. But, most important, we object to the notion that State and local governments will be able to spend it any way they want.

Quite properly, in our mind, the Congress sets the standards by which State and local governments can spend Federal money. It is right and proper that the Congress should eliminate the local options to take care of the rich and forget the poor; to take care of white and not blacks; to make things easier for those who build housing and not those who live in it.

Mr. Chairman, waste, inefficiency and corruption should be eliminated. But we fail to see how the abandonment of proper Federal standards for use of Federal funds contributes one iota to achieving that goal.

EDUCATION

Behind its vaguely formulated program of special revenue sharing, the administration is proposing the severe underfunding or elimination of programs which serve to improve the quality of education in America and to eliminate the great differences that exist in educational opportunity.

The prime target is the elimination of some 30 Federal programs that provide aid to school districts for elementary and secondary education. Federal aid to school districts unduly burdened by Federal Government installations would also be abandoned.

Laws such as the Elementary and Secondary Education Act, the Vocational Education Act, Federal impact aid, the Higher Education Act and the Library Services and Construction Act, constitute some of the most important legislative achievements of the 1960's and they deserve a permanent place among the Nation's laws. In most cases, these programs of categorical aid were enacted by Congress and to meet critical needs which had been largely ignored by State and local officials. By proposing to lump the categorical aid programs into a single blank check, the administration would invite State and local officials to return to past practices of allocating funds on the basis of political power and whim rather than demonstrable need.

Title I of the Elementary and Secondary Education Act provides desperately needed compensatory funds for economically disadvantaged children. The administration would abandon that effort.

Title III provides funds needed to develop innovative teaching materials and methods of learning. The administration would drop this valuable program. The Vocational Education Act provides a workable mechanism for providing young people with the skills realistically needed in modern society. The administration proposes to repeal the act outright.

Undoubtedly many of these programs can and should be improved, but improvement is quite different from dismantlement. The problem, in many instances, has been that money was misspent by local officials who used it contrary to the intent of Congress. By loosening the controls, the administration would aggravate the problem rather than contribute to its solution.

The AFL–CIO gave vigorous support to these laws when they were being considered by the Congress. Today we reaffirm that support. We will not abandon them.

Organized labor has consistently pressed for more Federal funding for the schools. That is why we reject completely any administration proposal for special education revenue sharing. Such proposals would provide no additional funds for the schools, but would only divert funds from existing programs which Congress carefully designed to meet demonstrated needs. And, in the process, the administration would repeal many of the most progressive laws enacted in the 20th century.

The AFL–CIO therefore supports the 5-year extension of the Elementary and Secondary Education Act and full funding at congressionally authorized levels of the act and of other Federal educational programs. We will not abandon the educational programs we fought so long to achieve.

MANPOWER

The public service employment program—PEP—established by the landmark Emergency Employment Act of 1971, would be scrapped. This program represents, in effect, the only significant direct job-creation effort by the Federal Government. In its short 2-year lifespan, about 150,000 jobs were created in 17,500 State and local government agencies.

The administration, according to the budget, would decentralize the Job Corps program and severely cut back its funds. These funds are used to provide education, training, and counseling for out-of-school youths who cannot find jobs.

Under the new concept of so-called special revenue sharing, the entire Federal manpower training effort will be seriously endangered. At stake are several programs which help workers upgrade their skills and focus on the specific job needs of minority-group youths and the elderly.

The Federal Government's role in planning and operating on-the-job and classroom training programs, funded under the Manpower Development and Training Act, would, in effect, be ended by the special revenue-sharing proposal. The Neighborhood Youth Corps, which helps open opportunities for part-time jobs so that low-income youths can complete their education, would no longer be a Federal responsibility.

The only increase in the manpower budget, of any consequence, is for the work incentive program—WIN—which attempts direct job placement of welfare recipients. Since protective standards in this program are weak, welfare recipients can be placed in marginal, substandard jobs.

The administration would also abolish the Economic Development Administration—the national economic development program, which has created jobs and public improvements in many areas that suffer from persistently high unemployment and lagging economic growth. The development program for the economically blighted Appalachian region would be cut back.

The Office of Economic Opportunity would also be abolished. The OEO and its Community Action agencies created jobs and provided a mechanism for many of the Nation's poor to enter the economic mainstream.

HEALTH

The budget for fiscal year 1974 would eliminate 10 of the Nation's 60 health programs. The Hill-Burton hospital and health facilities construction program would be terminated, on the false premise that the Nation has more hospital beds than are needed.

Ignored is the fact that a surplus of beds in one community cannot help those in need of hospital care in another community. Moreover, in recent years Hill-Burton funds have been used primarily to modernize obsolete hospitals and to build outpatient public health centers and nursing homes. Since 1947, when the program started, 470,000 hospital beds have been provided. In the past 5 years, 91 percent of the funds have been used for modernization, only 9 percent for new facilities. The need for some new facilities is clear; the need for modernizing is overwhelming.

The regional medical program, which coordinates efforts to treat diseases such as heart and cancer, would be eliminated and maternal and child health and family planning programs would be phased out.

A prime example of the false economy reflected in this budget is the proposed changes in medicare. The administration says medicare recipients should be more cost conscious and that requiring them to pay more of their medical bills will reduce incidence of unnecessary hospitalization and treatment.

As we have pointed out in the past to other committees, this approach is unsound. Rather than seek treatment at an early stage when it is less costly, high deductibles encourage people to wait until illnesses become more severe and more costly to treat. Anyway, it is the doctor, not the patient, who determines if a person is to be hospitalized and for how long.

Increased social security payments, which the last Congress fought so hard to obtain, would be wiped out for those who need hospital care if these proposed medicare changes are enacted.

ENVIRONMENT

Some of the widest gaps between congressional intent and what the administration plans to spend are to be found in programs enacted by the Congress to protect America's environment.

For example, approximately $10.1 billion to be allotted to the States for the construction of waste-treatment plants have been made available by the Congress of expenditure in the fiscal years 1973 and 1974; yet the administration plans to spend only half of that amount.

Match the administration's proposals with the rhetoric of its February 15, 1973, message to the Congress on environment:

> Because there are no local or State boundaries to the problems of our environment, the Federal Government must play an active, positive role. We can and will set standards. We can and will exercise leadership. And we will provide encouragement and incentives for others to help with the job.

Actually, Mr. Chairman, there are many other examples of the abandonment of Federal responsibility that we could bring to the attention of this committee but, for the sake of brevity, we will mention only two of grave concern to workers.

The AFL–CIO and two of its affiliates had to go to court to block the abandonment of the occupational safety and health enforcement program to the States. While we are pleased that Secretary Brennan has rescinded the order we went to court to block, this incident exemplifies the vigilance necessary to protect hard-won legislative gains.

More than 3½ years ago, the President, in his unemployment insurance message to Congress, urged the States to establish a State maximum weekly benefit of two-thirds of the average weekly wage in the State. He called upon the States to act within 2 years to avert the need for Federal action. But, with a handful of exceptions, the administration request to the States to raise benefits to a decent level has been shamefully ignored. And the President has yet to ask for the Federal action he threatened.

CONCLUSION

In conclusion, Mr. Chairman, we recognize that the rapid growth, during the 1960's, in the number of Federal programs to help meet the Nation's public investment needs inevitably created some administrative inefficiencies and overlapping grants. However, this situation does not justify a dismantling of essential programs or an abdication of the Federal Government's key role in the development, financing, and guiding of public investments that are essential to the Nation's wellbeing.

The AFL–CIO has long advocated simplification of the large number of Federal grants which requires consolidation of many overlapping grants, without undermining their purpose, goals, and standards. Proposals to dismantle the system of Federal grants-in-aid to the States and local governments for specific high-priority programs should be rejected—as should proposals to supplant the expansion of such programs with underfunded revenue sharing measures that lack clearly specified program purposes and Federal standards.

Mr. Chairman, the administration's proposals would substitute concern for the corporate ledger sheet for the helping hand of Government to people in need. These proposals constitute major surgery to remove compassion and heart from Government along with the cancer of waste.

It is a blatant attempt to reorder national priorities in reverse. And we want no part of it.

The system of categorical grants to meet specific problems gave a voice to many Americans who had long been deprived of a voice because they are weak. It gave national priority to their problems and hope to their everyday lives.

Mr. Chairman, who speaks for those too weak to speak for themselves? The answer must be the Congress.

We implore the Congress not to turn a deaf ear to the pleas of those who ask only for hope from their Government—those who seek nothing more than a Government that is as responsive to their needs as it is to the strong and the comfortable.

The strength of a chain is in its weakest link. The strength of a country is in what it does for the weakest of its citizens. We agree with Franklin Roosevelt when he said in his second inaugural address: "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

Mr. Chairman, we want America to be strong and compassionate and full of hope for all its people. And only the Congress can assure that kind of America.

Senator MUSKIE. Thank you very much, Mr. Biemiller, for an excellent statement. I think it is a fitting contribution to the last day of hearings. It spreads out the issues and the answers to the administration's proposals about as effectively as I think they could be.

There is a point I would like to raise with respect to something you said in your testimony. You said: "There has been waste, inefficiency and corruption in the Government and in the Department of Housing and Urban Development during the past 4 years."

The point I would like to make is this: The administration and its witnesses have referred to this inefficiency and waste as something that is somehow the responsibility of the Congress. They talk as though the President had taken office on January 20 of this year for the first time, succeeding a Democratic administration.

It is this administration which has been managing these programs for the last 4 years. And if there has been waste and inefficiency in that management, then it is this administration which is responsible. I think that point has been made too little and too seldom in this debate.

Mr. BIEMILLER. I concur heartily in what you just said, Senator. It reminds me of a statement I believe was made by the great economist of the University of Wisconsin, John R. Commons, that a bad law well administered is preferable to a good law badly administered. I think that is what we have been faced with.

Senator MUSKIE. In your statement you said:

> By proposing to lump the categorical aid programs into a single blank check, the Administration would invite State and local officials to return to past practices of allocating funds on the basis of political power and whim rather than demonstrable need.

I think you made that same point in different ways throughout your statement. I think it is a very relevant one. I raise it at this point because yesterday I had an exchange with Secretary Weinberger in which I undertook to determine the extent to which the proposed education revenue sharing would represent Federal responsibility to insure equality and quality education to every child. In his statement,

which was pretty much devoted to education special revenue sharing, the Secretary made two points: First, that the plan would provide for comprehensive plans to be established by the States and communities and, second, that backing them up would be the responsibility of the Federal Government to assure equality and quality education opportunity to every American.

But when I asked him whether or not the Federal Government would have a responsibility to assure the existence of such plans and the quality of such plans, his answer was that he had faith that State and local government would do what was right in this respect.

Then when I asked him how he would implement what he had described as the responsibility of the Federal Government to assure equality and quality education, whether or not there would be standards, whether or not there would be Federal monitoring of the results of the States' performance, again he said he had faith that they would do what was right. The one exception to that was with respect to civil rights laws and in that case he said they would, of course, have some strings attached to the Federal grants to pull them back in the event of a violation.

I raise this point with you from a simply technical administrative point, because I know from your statement and from your long history of concern with these programs, you understand that the responsibility for results must be an essential part of any program to achieve the goals that are important to the country.

Mr. BIEMILLER. That is precisely the point that we, as you point out, have stressed repeatedly in our statement. We think it is certainly one of the major arguments against the proposals of the Nixon administration. As I understand, at best, their proposals say that the GAO could step in and audit the special revenue funds or whatever techniques they develop, and in that way detect any violation of Federal standards.

That, after all, at the best, would be an audit after the things have happened. That is exactly, for example, what has happened in a couple of instances with the funds for elementary and secondary education. They have been used by local officials for improper purposes. And I don't know of any way you can crack down on that kind of thing, except to have a strong Executive that will insist upon the local agencies of government adhering strictly to the Federal standards.

You will also recall, Mr. Chairman, there have been some instances in which the courts have had to step in because the HEW, during the last 4 years, has not been administering some of those standards.

I think that that speaks for itself and that this is what bothers us. We think the Congress has tried to set good standards and where you have had to correct them, you have done it in a couple of instances. And we have great faith in the Congress of the United States to do the things that are right for the people of this country. And as we say, we hope you are going to continue the action that you have started in these hearings and that the Congress will step in and put a stop to some of the nonsense that is being perpetrated in the current proposals of this administration.

Senator MUSKIE. I have been in government for 25 years now, at all three levels. I think there have been some healthy signs of improvement in the performance of State and local government, but I think that improvement is taking place in part, at least, because of two developments at the national level. One, the Supreme Court decisions which mandated one man/one vote government, which made these governments more representative, and, second, the program standards enacted by the Congress which have mandated improvement in performance and attention to social programs which have been neglected.

What the administration in effect proposes is that now we have started the evolutionary process which results in improved government at those two levels, we are going to drop it and rely upon those forces maintaining themselves. That may be the result in some instances where government is now pretty healthy but, by and large, you can't count on it. And I understand that is your point of view as well.

Mr. BIEMILLER. Precisely.

Senator MUSKIE. Let me ask you if you could give us some expansion of your thoughts on the impact of the cutbacks in manpower programs. I have had a special concern about these programs over the years, and I know labor has. Have you fully evaluated the impact of what the administration proposes to do in this connection?

Mr. BIEMILLER. I suppose the greatest impact would be on the PEP program. We intend to make every effort we can to get the Congress to continue that program.

We are testifying next week at a hearing in the House and I understand that Senator Nelson is about ready to start hearings on this side on the same problem. I might add that we have the full support of the U.S. Conference of Mayors in this fight. This is the one area in which jobs have been created; not only have jobs been created but many local services that were badly needed have, as a result of that legislation passed by the Congress, have been met.

As I say in my statement, our economists tell us about 150,000 jobs that have been created. Those jobs just go right out the window if the administration has its way. And certainly I can't think of anything that is sillier to do. Unemployment jumped again last month, as you are aware. There is no sign of any real abatement and, for that matter, the professed goal of this administration, they hope to get unemployment down to 4½ percent, which is hardly making a real dent on cancer that is eating at the vitals of the economic system.

It took a lot of doing to create a situation where there is a lot of unemployment and a horrible inflation going on at the same time. All of the classical economists are having a great deal of difficulty explaining this reality, but it is a reality. And as long as it exists, we are going to insist that job creation is one of the things we want the Congress to be doing.

You have also passed other programs that could be very effective in job creation. The bill that you had a great deal to do with in an attempt to handle the question of waste treatment and sewers and the like, as you know, is being cut in half by this administration, just on a whim, as far as I can figure it out. I don't know any place that we need action more than in that area in which you played such a leading role of getting legislation through the Congress. As I remember,

you had to fight for a long time in conference and everything else to get it, but you got it. And now, just because this administration doesn't like it, they have decided, as I understand it, they will cut it in half.

This, again, is stopping job creation and it is stopping the meeting of really important social needs in this country. This is what makes us so bothered by the current budget and policies of this administration.

Senator MUSKIE. There is an interesting comparison between the waste treatment program that we tried to launch last year and the space program of the 1960's. This administration has been hung up on the space program, as you know. When President Kennedy launched it, there was no industry in existence to provide the hardware, and there was no hardware in existence. There were no designs in existence. And yet, in 8 years, after the expenditure of $25 billion, we sent a man to the moon. One of the fallout benefits claimed by those who support the space program has been the jobs it created. This was given as an argument for its continuance, notwithstanding its budgetary costs.

We provided $25 billion, by coincidence, in that waste treatment program last year, and this is also a hardware program, which will require some engineering and scientific breakthroughs. This, also, is going to stimulate the creation of jobs devoted to a problem here on earth. And the same fallout benefits will come so that it will give not only the environmental improvements that we need but will also give some useful employment, not just at the labor levels, but at sophisticated levels as well, right across the board. Yet the administration somehow can't go along with that program.

Mr. BIEMILLER. I couldn't agree with you more. For example, I think—I always have to get in a little bit of a chauvinistic plug for my city and State of Milwaukee, Wis. You are probably familiar with what Milwaukee does with its sludge and it has made it into a very useful asset. I offer that as just an example of the kind of thing your program would further develop and could spread into other areas.

I don't know whether you have ever used milorganite, but I highly recommend it.

Senator MUSKIE. No; but I drink Milwaukee beer. I hope there is no connection.

Mr. BIEMILLER. That is certainly in your favor.

Senator MUSKIE. I have been in the Senate now for nearly 15 years, so I begin to see the cycles of history turning. When I came here in 1959, President Eisenhower, in the previous session, had vetoed the Area Redevelopment Act. I was made a member of the Banking and Currency Committee, which reported out a new act early in 1959. We enacted it into law and overrode President Eisenhower's veto.

The Area Redevelopment Act led to the Economic Development Act, to the Appalachia legislation, to the Vocational Training Act, to the Manpower Training Act. All of this legislation began and was stimulated by Congress' insistence upon overriding the veto of the Republican President, who philosophically was opposed to this kind of a Government role in our economy.

Now, we come full cycle to another Republican President, who is undertaking to do the same sort of thing.

Mr. BIEMILLER. You are quite right, and we agree with your analysis of what that great fight of 15 years ago led to, that we were successful

in spreading all kinds of concepts that are now, as you say, going to be eliminated.

Another aspect of that which you will remember. In the early days of the Kennedy administration, we augmented the area redevelopment bill with a bill for accelerated public works and that, too, had a great deal to do with getting us out of the doldrums, and that finally got incorporated, as did the area redevelopment, into the Economic Development Administration.

Here, again, this administration says, "nothing doing," and yet you, with your long experience in all levels of government, recognize that sometimes those small public works projects that are on the drawing board, they are ready to go, can do more for local employment than almost anything else I know of. And yet, again, this administration says, "No, thank you, we don't want any part of it."

Senator MUSKIE. There is another point to be made. Those programs combined with the Kennedy administration economic and tax policies led to an economic result that is without precedent. When President Kennedy took office, the unemployment rate was in the 5 to 6-percent range.

Mr. BIEMILLER. Around 6.

Senator MUSKIE. And we had again the phenomenon of recession and inflation. By the midsixties, the unemployment rate had been reduced ultimately to 3½ percent, and the inflation rate was reduced to 1.9 percent. The programs that this administration says haven't worked demonstrably did work in the 1960's to reduce unemployment, control inflation, increase production, and achieve the highest level of productivity in this country's history up to that point.

That record, I think, cannot be erased.

Mr. BIEMILLER. Quite so. We agree with you.

Senator MUSKIE. We hear all of this rhetoric about programs that haven't worked, and yet the President the other day announced that the crisis in the cities is over.

Something must have worked. If you concede he is right, which, of course, I do not, then these programs must have had something to do with the result.

Mr. Biemiller, I want to express my appreciation for your testimony. I think it is excellent and I am going to put it in the Congressional Record today so that we may get it to the attention of a wider public before the record of these hearings is printed.

Mr. BIEMILLER. Thank you very much. I enjoyed being here.

STATEMENT OF HON. R. SARGENT SHRIVER, FORMER DIRECTOR OF THE PEACE CORPS AND THE OFFICE OF ECONOMIC OPPORTUNITY

Senator MUSKIE. Earlier this morning I announced that I was going to invite you to join a new association that I have created. It is the Association of Defeated Democratic Vice Presidential Candidates.

Mr. SHRIVER. I would be happy to be in any association with you, Senator.

Senator MUSKIE. There would only be one other member and that is John Sparkman. I think John would concur and join.

It is very appropriate on this last day of the Washington aspect of our hearings that we should hear from a distinguished American who has had so much to do with the "War on Poverty" and the associated policies and objectives which have stimulated the hope of all Americans that at least we had a commitment to deal with the problems of those who have very little power.

I am delighted to welcome you, Sarge. The microphone is yours.

Mr. SHRIVER. Thank you very much, Senator Muskie.

Except for your presence, I am rather sorry to be here today because I believe it is a sad day for America when some of the most promising and compassionate initiatives of our time are threatened with destruction.

From the beginning, I hoped to see the poverty program ended—but only after the program ended poverty. Instead, while the administration proclaims peace with honor in a war in Vietnam that was wrong, it prepares defeat with dishonor in a war on poverty that is right. And how ironic it is that our leaders are now so willing to aid a country which was characterized as our enemy only a month ago, but so unwilling to lift the burden of deprivation from our own citizens.

The poverty program has not been perfect. There have been mistakes and misdirections. But the Office of Economic Opportunity has seen far fewer scandals than the Committee to Reelect the President; it has been far more efficient than the Lockheed Corp., it has brought far more success at a far lower cost than our $25-billion investment in a collection of moon rocks. So, I do not apologize for the war on poverty; I ask that we fight on until we win. If there ever was a war in which there should be no substitute for victory, the war against poverty is it.

First; let's set the record straight, and this is not easy. The administration is not only trying to distort that record but to destroy it.

We now know that the Acting Director of OEO has suppressed a report demonstrating that Community Action Agencies across the country have raised $1.3 billion for programs to help the poor, only a small portion of which had anything to do with the Federal Government. Apparently, such success must be hidden because it does not accord with the official line that CAP has been a failure.

Just last week, in preparing for this testimony, I learned another example of how far the administration is willing to go. I tried to get a movie which the Reverend Billy Graham made with me in 1967 on the war against poverty, only to find out that the current regime at OEO reported all prints of that movie had either been lost, discarded, or destroyed. I suppose the only surprise was that they did not put it in a shredder.

Fortunately, however, I did manage to locate a print elsewhere, and I can quote from Dr. Billy Graham in that print, where he said:

"We * * * have a moral and spiritual responsibility to help those who really are in need * * * it takes the action of Government and that is one reason why I have supported the idea of the poverty program."

I might inject here, if I may, that Billy Graham came to Washington about that same time, I think it was 1967, and attended a luncheon

which we gave in his honor, on the House side. That luncheon was attended by somewhere between 100 and 175 Members of the Congress. Both the former Speaker, John McCormack, and the current Speaker, Carl Albert, were there. The room was filled with people—Republicans and Democrats, North and South.

On that occasion, Dr. Graham said that he had a principle not to inject himself in any way in politics, but that he had made an exception on this occasion and had come to Washington to this luncheon specifically because he wanted to announce to all of his friends in the Congress that he was in favor of the war against poverty.

The question today, of course, is, why was Billy Graham supporting an inefficient, ineffective program, that was a haven for hordes of shiftless bureaucrats, as the current administration says? The answer, of course, is that OEO wasn't like that then and it is not like that today, except in the propaganda and press releases of the administration.

It is a fact—not merely a statement of hope or belief—that in the operation of OEO, we made giant advances in the use of the private sector and the involvement of State and local government. President Nixon may talk about the big Federal bureaucracies that grew "fat" on poverty; but the fact is that we had the fewest bureaucrats per billions of dollars spent of any Federal program in history—except for Social Security, where they are principally writing checks.

In fact, OEO had fewer bureaucrats, fewer Federal employees than the Federal Communication Commission. Yet, it was supposed to be responsible for all-out nationwide war against one of the most intransigent foes of mankind; namely, poverty.

Under OEO, local school boards, YMCA and YWCA groups, private business, labor unions, local governments, State organizations, and the poor themselves, all cooperated.

The Community Action program was run and staffed in large part by poor people who otherwise would have been on welfare and if they lose their jobs working for Community Action today, they will go right back on welfare.

Last year, in the city of New York alone, about 6,000 poor people were employed, working for 26 different community corporations, bringing help to 843,000 citizens of New York.

And we called on business corporation, to lend a hand. Westinghouse, General Electric, Litton Industries, ITT, Thiokol Chemical—all were running Job Corps centers.

One of the ironies of all times, I guess, is the fact that Roy Ash, then the President of Litton Industries, was running one of the biggest Job Corps centers in America in California, and bragging about how efficient and effective it was. Sad to say, as soon as Nixon got elected, he closed up Roy Ash's Job Corps center, charging that it was a failure.

The irony to me is that Roy Ash, who couldn't apparently run a Job Corps center in California, is now supposed to be able to run the U.S. Government.

Harold Geneen, who is rather a legendary figure now in American corporate life, thought so well of the Job Corps center his corporation was running in New Jersey, that he personally came there to partici-

pate in ceremonies. I was there with him. And then ITT took out four full-page color ads, in magazines like Fortune, extolling the Job Corps.

These were not wild, radical, liberal, kooky-headed Democrats. They were what we now call the pillar of the establishment. And they included, as I say, the presidents of companies like ITT and Litton, and also included Westinghouse, General Electric, U.S. Industries, Thiokol Chemical, Brunswick Wall Calendar, and other big American corporations.

In addition to the bastion corporations, of course, we mobilized the private sector in many other ways. We had representatives of all of the social welfare organizations of the country, the National Council of Churches of Christ, the Catholic organizations, the Jewish groups, B'Nai B'Rith, Anti-Defamation League. We had the YWCA, the YMCA, the League of Women Voters. All of those groups participated in this program.

In addition to that, for the first time in the history of the executive branch, OEO created a special panel of State and local officials, composed of mayors, Governors, and city managers, who actually participated in the making of OEO policies with respect to what was being done in the States, the cities and localities.

We used to describe this program on many, many occasions as creative federalism, and we used to say that putting the power closest to the people was the way to get the best in Government.

We put the power, that is, money itself, and even responsibility for the money, right into the neighborhoods. So that when a neighborhood health center was opened, for example, the poor people in the neighborhood went to work in that health center. They had a board of trustees that controlled that particular neighborhood health center. Or when we opened a neighborhood legal service center, the paraprofessional people who worked in that were people from the neighborhood.

So we pioneered the way to decentralizing power, to creating a federalism which was a genuine one, because it involved the States, the localities, the counties, the private sector, and most important of all, it involved the people who were affected by the program.

Senator MUSKIE. This is true of model cities, as well.

Mr. SHRIVER. That is right. It came afterwards.

Senator MUSKIE. It came after OEO and was built on what you started doing there.

Mr. SHRIVER. That is right.

President Nixon said in 1969 that OEO had been at the cutting edge of our efforts to achieve the goal of full economic opportunity for every American.

He said OEO has been one of the most creative and productive offices in the Government. That is President Nixon. And I share this earlier incarnation of the President's judgment.

Let me just say he was correct then and I am sorry that he has received advice which has apparently changed his mind now.

Senator, I have prepared written testimony which I would like to put into the record in its entirety. I am skipping around in it, as you can easily see, but I would like to have this in the record in its entirety.

Senator MUSKIE. It will be in the record of this hearing.

[The full prepared statement of Mr. Shriver follows:]

Prepared Statement of Hon. Sargent Shriver

I am sorry to be here.

I believe it is a sad day for America when some of the most promising and compassionate initiatives of our time are threatened with destruction.

I would have come sooner, and I am grateful to Senator Muskie for inviting me to be among the early witnesses at these hearings. But I did not want to come charging out as a protector of my own handiwork. First, I wanted to hear the reaction of public officials who have lived with the social legislation of the 1960's—Governors like Jimmy Carter and Mayors like Joe Alioto. I also wanted to think about what I could add to what others could say. Walter Heller is more expert on the economics of the Administration's cutbacks; Moon Landrieu is more expert on their impact in the cities.

What I think I can contribute is my experience with the War on Poverty, which has become a favorite whipping boy of the White House. It is cited constantly as an example of government failure and a cause for cutbacks. I think it is now time for a reply.

From the beginning, I hoped to see the Poverty Program ended—but only after the program ended poverty. Instead, while the Administration proclaims peace with honor in a war in Vietnam that was wrong, it prepares defeat with dishonor in a war on poverty that is right. And how ironic it is that our leaders are now so willing to aid a country that was our enemy until a month ago, but so unwilling to lift the burden of deprivation from our own citizens.

The Poverty Program has not been perfect. There have been mistakes and misdirections. But the Office of Economic Opportunity has seen far fewer scandals than the Committee to Re-Elect the President; it has been far more efficient than the Lockheed Corporation; it has brought far more success at a far lower cost than our $25 billion investment in a collection of moon rocks. So, I do not apologize for the war on poverty; I ask that we fight on until we win. For if there ever was a war in which there should be no substitute for victory, the war against poverty is it.

The victory will not be easy but it is not beyond our financial reach. Those who want to accept poverty and those who want to abolish it cannot be divided into budget balancers and budget breakers. All of us want to hold the line on the Federal deficit; indeed, the Congress has cut Executive spending requests by $30 billion in the last four years. The big spenders in Washington since 1969 have not been "on the Hill". The waste, the excesses, and the deficits have been Executive Department acomplishments. If Congress had not restrained the President, our country's financial condition would be even worse than it is.

And the real issue now is how we should spend what we have, and how we can raise what we need. Within a budget ceiling even lower than the President's, the Congress can find additional resources to combat poverty by cutting wasteful spending on defense. And without increasing taxes on most Americans, we can raise additional reevnues from the few Americans and the many corporations who are not now paying their fair share.

So the choice is not between inflation and fighting poverty. We can have both a realistic budget and responsible piorities. We can save the $1.75 billion the Administration intends to spend on the Trident submarine next year—which is almost what a year of OEO cost at its height. We can raise $15 billion a year with the Muskie tax reform bill—which is more than OEO has cost in ten years. The true choice is between waste and special favors for some, and justice for all.

But the fact that we can afford to act does not mean that every action is right. Of each program and proposal, we must also ask: Will it work? I asked myself that question over and over during my time at OEO. And I have asked it again during this time when OEO stands at the edge of extinction.

To give a fair and sensible answer we must do these things:

We must set the record of the Poverty Program straight.

We must set the rhetoric of poverty straight.

And we must set the problem of poverty straight.

First, let's set the record straight.

This is not easy—for the Administration is not only trying to distort that record, but to destory it.

We now know that the Acting Director of OEO has suppressed a report demonstrating that Community Action Agencies across the county have raised

$1.3 billion for the poor, more than half of it from outside the Federal Government. Apparently, such success must be hidden because it does not accord with the official line that CAP has been a failure.

And just last week, in preparing for this testimony, I learned how far the Administration is willing to go. I asked to see a 1967 film in which the Reverend Billy Graham praised the war on poverty. The current regime at OEO replied that all 150 copies had been discarded; I suppose the only surprise was that they did not put it in a shredder. Fortunately, I managed to locate elsewhere a print that somehow survived. Is the White House so afraid to let the American people know that Dr. Graham has said: "We . . . have a moral and spiritual responsibility to help those who really are in need. . . It takes the action of government and that is one reason why I have supported the idea of the poverty program."

Why was Dr. Graham supporting an inefficient, ineffective program that was a haven for hordes of shiftless bureaucrats? Because that was not what OEO was or is, except in the propaganda and press releases of this Administration.

The war on poverty was declared shortly after men in power learned a grim truth powerless Americans had lived with for years—there was deep and widespread deprivation in every part of the nation and among a fifth of our whole population. President Kennedy read "The Other America" and many other books analyzing and revealing the extent of poverty in our affluent society, and he commissioned Walter Heller and Kermit Gordon to research the problem and propose some solutions for his consideration. After his tragic death, President Johnson determined to pursue the initiative President Kennedy had started. He called for an all-out war against poverty in his first State of the Union message and he asked me to direct the Task Force that was assigned to develop the program.

Nobody on that task force started off with ehe preconception that the only solution to poverty was to give away hard-earned taxpayers' money to the poor. Instead we chose to open opportunities to them—not just the provision of help from the government, but a chance for self-help. We recognized that income maintenance was important; but in the early stages, with a budgetary limitation of $500 million, we emphasized income earning.

And nobody on the Task Force thought that the Federal government had to be the only force in this new war. Instead, what we developed was a partnership against poverty, a joint effort by Washington, public groups at the local level, and private enterprise of every size.

It is a fact—not merely a statement of hope or belief—that in the operation of OEO we made giant advances in the use of the private sector and the involvement of state and local government. President Nixon may talk about the big Federal bureaucracies that grew "fat" on poverty; but the fact is that we had the fewest bureaucrats per billions of dollars spent on any Federal program in history—except for Social Security which, after all, is primarily a check-writing operation. Of course, we needed a central command for a war on poverty, and we had regional offices with Federal employees. But the forces waging this war were local school boards and YMCA groups and private businesses, labor unions and local governments, state organizations and the poor themselves.

For example, the Community Action Program was run and staffed by the poor. It introduced them to the world of work and opened to them a chance for a career. Last year, in New York City, 6,000 of them, employed in 26 community corporations and their delegate agencies, brought help to 843,000 deprived citizens in the areas of housing, health, education and drug addiction.

We also called on corporations to lend a hand—and they responded enthusiastically.

When we first suggested contracting our Job Corps centers out to private industry, we were criticized, even laughed at. But we did persuade Westinghouse and Litton, General Electric and I.T.T. to take on that responsibility as well as trade unions and fraternities like Alpha Kappa Alpha. And the State of Texas helped create a special organization to run a large Job Corps Center when John Connolly was Governor.

Overall, we sought to enlist, and we did enlist, literally thousands of private and local public bodies to initiate, operate, or evaluate the many programs that were developed by OEO. But we never abandoned basic Federal responsibility for the integrity and effectiveness of such programs. We developed an Office of Inspection that made people mad at times—but I was determined to see that those who agreed to participate in our OEO programs would adhere to the purposes of the program and carry them out honestly and effectively.

Let me illustrate all of this by recalling the first days of Head Start. It was not until January of 1965 that we decided to launch Head Start. We had received advice from the country's leading educators, child specialists, psychologists, and health experts. We thought we would try to enroll as many as 25,000 children during the first summer, even though many experts said we could not reach more than 5,000. I decided to risk $10,000,000 on the experiment. But as the demand grew—as tens of thousands of Volunteers came forward—as the churches, schools, unions, and child care agencies offered their buildings and people and energy, we enlarged the budget again and again until Head Start had actually enrolled more than half a million boys and girls.

How did we manage that? Not by hiring ten thousand Federal civil servants. It happened because our appeal to the country was picked up by private citizens in over 2,000 different communities. Each of these communities developed its own program, based upon Federal guidelines, and by the end of that summer the 500,000 students had the benefit not only of pre-school classes, but of a complete health check-up, hot meals, and a feeling that people cared.

And in OEO, for the first time in our history, we created a body to assure regular, continuing liaison with the nation's public officials. To be sure that our programs were administered in accordance with the interests and the needs of our states and local communities, we brought together—with the co-operation of the several national organizations that operate in this field—representative governors, mayors, county officials, and city managers. They came from both political parties and independents, and they came from every part of the country. We not only preached co-operation with states and cities. We practiced it. And it paid off—not only in terms of better programs—but in terms of support. Thus, after a year of suspicion and even rejection of the concept of community action, the mayors across the nation became its ardent champions.

In short, OEO was not more of the same old Federal approach, but the first expression of a new federalism. We, in fact, called the poverty program "creative federalism" and Republican mayors, businessmen, civic leaders and others participated in our work. OEO put money and power in the hands of the people who had problems. It mobilized states and cities and private citizens and the private sector; it gave them the tools so they could do the work.

And OEO was both efficient and experimental. It was the first Federal agency outside the Defense Department to adopt Programming, Planning, and Budgeting Systems. And it was the only agency specifically charged with devising innovative solutions to the most difficult problems of poverty.

President Nixon said in 1969 that OEO has been at the "cutting edge" of our efforts to achieve "the goal of full economic opportunity for every American." He said OEO has been "one of the most creative and productive offices in the government". I share this earlier incarnation of the President's judgment. It is supported by a truly remarkable record of flexibility and creativity in the poverty program:

OEO was the first government agency to bring and win lawsuits charging that the national program of welfare assistance was based on rules and regulations which were illegal and sometimes unconstitutional because they arbitrarily denied benefits to millions of eligible recipients of the welfare system. Can you imagine HEW or any other established government department sponsoring such litigation against itself?

OEO was the first to reveal and prove that the poor want to work and that they do good work, provided they are given jobs where they can learn and show their skills. In other words, OEO proved that the poor are not lazy, shiftless free-loaders.

OEO sponsored what has been called "the most creative program of research and evaluation on basic policy issues affecting the poor ever undertaken in our nation's history." There are many examples of this OEO research, but among them are:

—The New Jersey urban and rural experiments on income maintenance to test welfare and work incentives were the first of their kind in America.

—Experiments in performance contracting and vouchers to determine if there are incentive systems for encouraging better education for the poor were also the first of their kind.

—In Mississippi, a farm cooperative was sponsored to deal from the ground up with the causes of the most visible and pressing form of American poverty.

OEO was the first agency of the national government to recognize that the central health question of our times is a question of delivering health services to the people, especially to the poor. And based on this insight, OEO inaugurated the first nation-wide system of neighborhood comprehensive health care centers, operated by prestigious medical schools but utilizing the poor themselves in para-medical jobs.

OEO was the first to inaugurate nation-wide child development centers—the Head Start and Parent and Child Center programs.

OEO was the first to return power to the American Indians over their own education, over their own lands and their own laws.

OEO was the first to turn high-school dropouts into successful college students and in the process reveal the artificiality of many college admission procedures and standards.

These efforts were uniquely non-bureaucratic. They represented a commitment which could not have been made by the Executive bureaucracies. And at least initially, they represented the commitment of the President himself through his Executive Office to the elimination of poverty. OEO was the voice of the poor and the conscience of the nation in the heart of the White House.

Yet now it is the White House which seeks to discredit and dismantle OEO and, directly or indirectly, to destroy some of our most promising programs against poverty. Administration officials say that it cannot be demonstrated that OEO had a measurable impact on the economic status of the deprived. And, of course, that is partially true—in the sense that social science simply lacks the tools to make the measurement. Moreover, we do know that the number of people in poverty *declined* by fourteen and a half million between 1960 and 1968 while the number has *increased* in 1970, 1971 and 1972. This Administration has the unique distinction of being the first to increase poverty in America since Herbert Hoover.

I am often asked: Why has the war against poverty not brought us within sight of a victory against poverty? My answer is: Not because we have been defeated, but because we have retreated. The problem with the poverty program is not a maximum feasible misunderstanding, but a minimum financial effort. Within two years of the program's start, the danger signals were already visible.

In 1966, OEO submitted a National Anti-Poverty Plan to the Bureau of the Budget. Today, I am making that plan available to this Committee and the public for the first time because it, more than anything else, explains why OEO has not achieved its ultimate goal. In a sense, this document could be described as the Pentagon Papers of the Poverty War. It reveals that the highest officials of the Poverty Program believed that "a real start on ending poverty in the United States" required increased expenditures of $21 billion in fiscal 1972 over the fiscal 1966 figure—which was less than the cost of one year of war in Vietnam. We warned the White House: "It cannot honestly be said that current funding levels have provided more than the necessary conditions for a beginning."

And so we proposed new and far-reaching initiatives in employment, individual improvement, community support, and basic poverty research. We proposed a negative income tax to be phased in over a ten-year period—"a basic income guarantee which would remove all Americans from poverty." This plan also included work incentives and opportunity programs to assure that those who could provide for themselves would do so.

In 1966, I was criticized for saying that we could eliminate poverty by 1976, the two hundredth year of our nation's life. I still believe that at the very least, we could have come close. The National Anti-Poverty Plan gave us a way, but instead the best hopes of the poverty program became casualties of a foreign conflict more than ten thousand miles from our shore. We have never waged a war against poverty comparable to the wars we have waged against people.

There are those who blame OEO for allegedly "shovelling money at problems." But the truth is that in America we have tried every solution for poverty except money. We had a structure and a strategy, but not enough support. The remarkable thing is not how little OEO has done, but how much it has done with the little it had.

Indeed, the achievements of OEO seem to have become a cause for its destruction rather than a reason for its preservation.

The Community Action Program has not only raised $1.3 billion on its own; it has also raised the political consciousness of deprived Americans. It has en-

abled them to organize in their own neighborhood and to secure their own rights and progress. Somehow, this Administration seems to think that it is a sin because it bypasses elected local authorities. But local officials are an integral part of the program; and in every recent year, the Conference of Mayors and League of Cities has voted in favor of CAP. That is not surprising. Across the nation, CAP agencies are the glue of the anti-poverty effort. They apply for the grants and administer the programs. Hard-pressed Mayors lack the money to replace CAP, but do not want to lose the programs or benefits it brings. Yet, in defiance of the will of the Congress and the wishes of the cities, the White House has set a June 30 execution date for Community Action.

The story is much the same with Legal Services. In the Administration's eyes, its success is its fault; it is seen as subversive because it has enabled the poor to enforce their rights through the judicial system. But what is really subversive of American liberty is the attempt to restrict the rights of the poor by keeping them ignorant and keeping from them the legal protections that have been won for them by Legal Services. No other government in history had the sense of justice to finance actions against itself in the name of justice. Can anyone imagine Brezhnev financing Solyhenitsyn's lawyer? Yet our Government has had the courage of its convictions—at least until now—and has put the cause of justice for the poor above the protection of petty tyrants in their offices. I cannot imagine how this government can plot a retreat from the principle that all citizens exist under law by planning to make legal services subservient to political authority.

Finally, the White House is completing the process of dismantling the Office of Economic Opportunity by dispersing its surviving elements to other agencies. The greatest strength of OEO was its unity—its ability to speak and fight for the poor in the highest councils of government. Apparently, the Administration regards that as a weakness. It prefers to see the war on poverty fragmented to lower levels in vast Federal departments where it can be neglected because its access and authority are gone. But this will achieve precisely the opposite of what the Administration says it intends: it will bureaucratize a program that has been remarkably free of stifling bureaucracy. No longer will the effort against poverty attract the kind of talent at the top levels that OEO once did; the best people simply will not work at the bottom level of government priorities and power.

The Administration claims that OEO has been a godsend, but only for overpaid bureaucrats. The truth is that, as I have noted before, its officials were few in number—and they were superior in quality. Most of them gave up secure and important positions to join the program. Let me name just a few of them:

Glenn Olds, who headed the task force on VISTA, came from the Presidency of Springfield College and is now the President of Kent State University.

Verne Alden came from the Presidency of Ohio University to lead the task force on the Job Corps; he is now President of the multi-billion dollar Boston Company.

Otis Singletary, who was Director of the Job Corps, came from the President's office at the University of Texas and is now President of the University of Kentucky.

Ted Berry, who ran Community Action, gave up a successful private law practice and is now Mayor of Cincinnati.

Clinton Bamberger who left private law practice to be the first director of Legal Services is now Dean of Catholic University's School of Law.

Dr. Julius Richmond left the Deanship of Syracuse Medical School to direct Head Start; he is now Professor of Child Psychiatry at Harvard University.

Dr. Joseph Kershaw resigned as Provost of Williams College to inaugurate OEO's budgeting and evaluation office.

And the list could go on and on. It could include a Republican Attorney General of Pennsylvania who came to Washington to head up Legal Services in the Nixon Administration and quit in disgust when his efforts were subverted from on high. Does the Administration seriously believe that it can attract officials of this caliber to poverty programs that have been consigned to the bureaucratic maze.

Of course, this may be precisely what the White House wants. Since taking office, this Administration has taken a whole series of steps that have gravely weakened and undermined our efforts to end poverty. In 1969, for example, 59

Job Corps Centers were closed, turning 17,500 corpsman out on the streets. In 1970, VISTA Volunteers were subjected to harsh guidelines on their activities, and community action was restricted and cut back. Now the Administration says it wants to reorganize OEO. I suspect that what they really want is to reorganize poverty programs out of existence.

But the White House has another answer. They call it the "New Federalism," and they tell us that what Washington gives up, the new States and localities can pick up. But there is a vast distance between this rhetoric and the reality of Administration plans.

So let's set the rhetoric straight.

This year, the White House seeks to cut domestic programs by $10 billion, while the only replacement it offers is $6.9 billion in special revenue sharing. And while most grants-in-aid experience normal growth in each year, special revenue sharing will remain the same for five years. How are the states and cities supposed to make up the difference?

At the same time, Federal programs have been cut back so abruptly that other levels of government have not had the time to replace them, even if they could. How is a county operating on a calendar year budget supposed to fund a CAP agency after federal financing lapses on June 30?

The Nixon Administration is playing a shell game with the country. On the one hand, it says that it is merely shifting responsibility to those who are closest to the people; it will give them the money and they can decide how to spend it. On the other hand, the President says that the recent round of budget cuts will "save $11 billion in this fiscal year, $19 billion next fiscal year, and $24 billion the year after."

What this means is that the states and localities will have to make up for Washington's neglect without a sufficient increase in revenue from Washington. This is not a new federalism; it is a new confederatism. Under the old confederatism of the Articles of Confederation, which was the nation's first and failing form of government, the states had the power, while the national authority was subordinate. Under the new confederatism, the states have responsibility, but not resources, while the federal government stands aside. How different this is from the creative federalism of OEO, which was a genuine partnership among federal, state and local governments and the people. In the 1960's, we asked Mayors and Governors what they thought should be done, and they participated in our policy-making on a regular, systematic basis. In the 1970's, the Nixon Administration is telling them to do what they cannot afford without any participation in the process of policy-making.

The true federalism holds that all the people of the United States are citizens of the United States, not just of the several states; and that they have a right to certain minimum standards in life no matter where they live. The new confederatism determines their fate according to their citizenship in specific states, rather than their common citizenship in the nation.

Now I am aware of the boasts that Federal domestic spending has increased substantially since 1969. But most of the increases—particularly in Social Security and Medicare—came automatically or against the will of the White House. So to those who tout the social progress of this Administration, I say: Name one new Nixon program for the poor that is on the statute books today. There are none.

Indeed, this is the first Administration in our history that has started a term of office with a summons to selfishness. The wealthy can ask what they can do for themselves—and do very well. It is not the rich, but the rest of the people, who need government the most.

That does not mean that only a few among us depend upon government. The cruelest myth of our times is that only the poor draw on the spirit of public generosity. The truth is that there are few self-made men, in this country or this Administration.

Most of us have been subsidized in our education, in our housing, in our transportation, in the conduct of our business. And even if we call this by another name, it is still the government, our government, helping us to succeed. Millions of middle-class Americans have purchased homes with federal loans at lower interest rates than they would have paid in the free market—and that, too, is welfare. And we even give money to the inefficient and the ineffective—in the boardrooms of Lockheed and the Penn Central. It ill becomes those who live in glasshouses

built with Federal subsidies to cast stones at their fellow citizens who are poor and weak.

Yet perhaps what is right matters to some of leaders less than what will win. Perhaps, like the dictator who once asked: "How many divisions does the Pope have?", they are asking only: "How many votes do the poor have?"

I hope this is not so, for there is a decent and different path. It is the path back to the promise of America—that each may walk in freedom and pride, earning his way in dignity if he can, and living in decency if he cannot.

So let's set the problem of poverty straight.

Twenty million Americans are still poor. In fact, poverty in 1973 is even more intractable and difficult than it was in 1964. In the past decade, millions of the more productive poor have been able to escape poverty by finding work in a growing economy. But the remaining poor—the 1973 poor—are people who have been passed over by prosperity, passed by in social programs, and pushed back into poverty by higher unemployment. They tend to be less able to cope for themselves and less endowed with education and marketable skills. They are the hard core poor—and if we abandon them, they are helpless.

For the hard core poverty of 1973 is predominantly composed of families with only one parent and of workers with disabilities, health impairments, and a history of failure in the labor market. What jobs they can find seem designed only to foster a sense of hopelessness. There is little or no training. The work is performed under bad conditions; it is often temporary or seasonal in nature; and there are few if any chances to advance up a job ladder or to be promoted. As a consequence, the labor market attachment of today's poor tends to be weaker; job changes are high; and long periods of idleness are common, especially among younger workers.

The hard core poor also confront an educational system which by and large fails to lift their sights and develop their ability to compete successfully. Moreover, as state after state is now learning, the way by which we finance education makes the wealth of a local district the prime determinant of educational quality. Since poor families live in poor districts, those who need education the most receive quality education the least.

Once again, the list of problems could go on and on, but this much should be enough to remind us that the crisis is not over; the job is not done. And it is not just a matter of implementing known solutions; in many cases, we are not certain of what the solutions are. An immense amount of testing and experimenting with new ideas is before us.

As I have noted, such innovation has been a major task of OEO. Obviously, I believe it and OEO should continue, but I am afraid we may be too late. The Congress cannot move with the speed of a President who can exercise one man rule. But we can give innovation even more importance and priority, in a new non-political agency, independent of the established bureaucracies, free to be creative, and unafraid to explore and explain every cause and solution of poverty.

The Congress can create a National Institute of Poverty with its Director and policy-making council appointed by the President, with the advice and consent of the Senate. The Institute would conduct research projects in areas of primary concern—for example, policies to improve the functioning of the labor market for low skill workers including public employment; and policies of income supplementation, including wage and earnings subsidies, cash transfers, and in-kind programs such as food stamps, public housing, and health.

The Institute would also be charged with implementing the promising findings of this research—including the wisdom and advice of the poor and the young—into nationwide innovative efforts. When these programs prove their worth, perhaps after two or three years, they can be transferred to operating agencies, with Congressional approval, to replace programs which do not work as well—a rather different strategy than the President's practice of declaring failures and abolishing programs that Congress did not even know were in trouble. The frontier battles in the war on poverty must be waged by a single, visible, adventurous agency, responsive to local needs and responsible to Congress as well as to the White House.

But even if this proposal could not pass, and because, even if it did, the President could refuse the necessary minimum co-operation to establish and maintain a National Institute of Poverty, Congress should take two other steps, which have a general application to federal budgetary policy, as well as specific application to poverty policy.

First, the Congress should establish a Congressional Office of Research and Development.

No other major decision-making institution in our society operates without a research and development component. The Legislative Branch should have such a component, working on a day to day basis to develop new ideas and to test concepts and proposals that may be ignored, slighted, or suppressed in the Executive Branch. The initiatives taken on Capitol Hill should not depend on the decisions and priorities of Departments under Presidential control. If Congress is to take its own decisions and set its own priorities responsibly, it must examine thoroughly the entire range of options, and that requires a Congressional Research Development Office. Such an office, for example, could conduct the projects that I have outlined for the National Institute of Poverty—if there is no such Institute, or if it is prevented from achieving its purposes or perverted from them.

But Congress needs more than ideas and the capacity to test them; it needs as well the ability to implement them.

Secondly, Congress should reorganize the Office of General Accounting into the Office of General Accounting, Management and Budget.

Today, the GAO does an outstanding job of monitoring federal expenditures—after the fact. An expanded GAO, with new purposes and powers, could provide the Congress with expert assistance in planning federal expenditures—before they are passed. As we have heard often in recent months, Congress has the authority to act; what it lacks is the means. An Office of General Accounting, Management, and Budget could give it the means—alternative budgets based on alternative estimates of needs, costs and revenues.

Planning and passing an alternative budget would be harder than reviewing a Presidential budget; just as creating a new anti-poverty program would be harder than destroying the old one; it takes no architect to tear down a house. But, somehow, in some way, the focus of national policy must be shifted from what should be abolished to what should be done. The national agenda must be restated, debated, and fulfilled. President Nixon seems to say: "If a solution does not work, let us forget the problem." We must return to the tradition of Franklin Roosevelt—and if a solution falls short, let us improve it.

We must make a fundamental choice in this country.

We can choose to abandon the weak to their poverty, driving them and those who care for them into the streets in protest or even riot, dividing our people each from each by suspicion and fear—all in the name of a false efficiency and a fraudulent economy.

Or we can see the truth and seek justice. We can see that our country cannot take more years of confrontation and keep freedom for all the years of our lives. We can seek, not repression, but liberation for all our people—a liberation of the mind from the prejudice of race and class, a liberation of the body from the pain of poverty.

The clearest moral test of our society is how we treat the poorest among us. Here in the Congress, that test must now be met. In your hands rests the final success or failure of the work we set ourselves in the 1960s. I have come here today with the hope that while others are quitting perhaps the noblest task Americans have taken up in our time, you will stay on the job.

Senator MUSKIE. I will also put it in the Congressional Record today, so it may get wider notice before our committee hearings are printed.

Mr. SHRIVER. Thank you very much.

I might try to summarize some of the rest of this by taking up a couple of points.

Senator MUSKIE. Why don't you take off and wing it and forget the statement?

Mr. SHRIVER. OK.

First of all, I didn't want to come here and act as if I knew more about economics than Walter Heller. That is silly. He has made a fine statement. I didn't want to come and really repeat what the mayors know better than I know. They know about the impact of

the so-called new federalism on the cities. That is where they are. I didn't want to come and repeat what the Governors like Jimmy Carter know better than I about what is happening in the States.

I thought possibly that the contribution I could make would stem from a discussion of the early days of OEO, how it was conceived, the problem of poverty as it really is today, and what the Congress might do about it.

The early days of OEO, when we sat up a task force at the request of President Johnson, were distinguished by the fact that American businessmen, churchmen, labor leaders, private citizens, educators, et cetera, all came down to discuss how the war on poverty should be organized. Nobody came with the preconceived idea it should be a giant Federal bureaucratic program.

And, in fact, OEO was distinguished by the reality that some of the programs were national, but most of them were local, and therefore we had a pluralistic program, you might say, not an arbitrary, absolutist program that the Federal Government should do everything or the Federal Government should do nothing.

Because of that philosophy, we had a program like Headstart, which was run by a handful of people in Washington, fewer than 30. In 6 months we went from zero to a program with 500,000 young children in it.

The reason that was possible was that the Baptist churches, the Jewish synagogues, the Catholic churches, the YWCA, universities, public schools, every kind of institution in American life, became a place for Headstart to operate. And was operated under local control.

We think that is creative federalism. And that is only one example. The Foster Grandparents program, same thing. VISTA, same thing. Upward Bound, same thing. Parent and child centers, same thing. The Indian program of OEO was the first one to give control over the program to the Indians.

An article appeared at that time, the title of which was, "Let's Give the Education Back to the Indians." OEO was the first agency of Government to turn over to the Indians the control of their own destiny, even on their own reservations. So it was decentralized. And it is particularly ironic to me, at any rate, that the Federal Government today has dispatched an executioner to kill off the only program which in fact does conform to the philosophy which administration officials come over here and explain to you.

There is no program in the Federal Government which is as much in keeping with the new federalism talk of the administration as this one.

Senator MUSKIE. Incidentally, it strikes me that one difference between new federalism and creative federalism is that the new is sort of a neutral word. There is no life in it. "New" doesn't necessarily mean "better," it could mean "worse." But "creative" is a positive kind of a notion that I think you are describing very well.

Mr. SHRIVER. The second thing I would like to address myself to is this: The administration frequently says today that the war on poverty should be scrapped because it was a failure. I read Mr. Weinberger quoted as saying:

Although it is true that the absolute number of people in poverty decreased precipitously during the sixties and with tremendous speed during the period when OEO was in existence, there is no proof that OEO was responsible for all of that decline in poverty.

Well, let me just say, we never claimed we were responsible for all of that decline in poverty. But I will say something to you, sir, and that is, if poverty had increased while we were in existence, there isn't a person in the world who wouldn't say, "Junk the program because it has been a failure." Since poverty went down during OEO's existence, I think we deserve a modicum amount of credit for the decline.

It is true that under Johnson and Kennedy, poverty went down on a graph, almost at a 90-degree angle sometimes during that period. And it is also true that since the Republicans have been in power, poverty has started back upward, for the first time since Herbert Hoover.

I know economists will have many theories about why that has happened, but whatever the theories are, the facts remain there in front of us to see; namely, poverty is increasing under Nixon rather than decreasing as it did under Johnson and Kennedy.

Second, I would like to point out that social scientists do not have the techniques even today to measure exactly what caused in specific detail all of the decline in poverty during the 1960's. Both you and I have seen billions of dollars spent on bombing in World War II and in the war in Vietnam, and experts at every level of government arguing about whether the bombing was effective at all. Some people who are very well informed say the bombing increased the resistance of the Germans in World War II as well as the Vietnamese in the last war.

Other people say it was effective. But Mr. Ash cannot get proof for either one theory or another. Neither can Caspar Weinberger.

The fact remains that whatever the combination of medicines we were using in the sixties, they were working. There is an old saying in sports: "Don't change a winning team." If you are the manager, you may not know exactly why it is winning every week, you may even decide that your quarterback is not the one you think is the best, but if it wins, let it alone.

Whatever we were doing in the sixties was winning. Whatever we are doing today, we are losing.

Another criticism of the Democratic administration in the war against poverty is the cliche that the Democrats are guilty, the charge goes, of thinking you can solve any problem by throwing money at it. You heard that, I am sure.

Senator Muskie. They don't use it very much in this hearing.

Mr. Shriver. Maybe it is appropriate then that I am the one who uses it.

I brought along with me this morning something which refutes that statement. You might call it the "Pentagon Papers of the Poverty Program." It is the "National Anti-Poverty Program," presented to President Johnson in June 1966, marked "Administratively Confidential."

Just for the record I want to say I classified it and I think the law says, since I classified it, I can declassify it.

My purpose for bringing this here and showing it to you and asking you to consider putting at least a synopsis of it in the record is this:

In 1966, this document showed that those people who were working in the war on poverty and who had established the goal of eliminating poverty by 1976, the 200th anniversary of the United States, said that in order to achieve the goal, the total expenditures on antipoverty programs by the Federal Government should increase from what they were, $24 billion in 1966, to $40 billion in 1972. This was a 5-year program.

As an example Headstart was budgeted to reach $649 million in fiscal 1972. Today, Headstart is only at $400 million. Legal services programs for the poor were budgeted in 1966 to reach $186 million by 1972. They are only at $71 million today.

You can go through any program that the administration now says that they are maintaining like Headstart, or the Job Corps, or VISTA, or Upward Bound, or the Indian program, or the foster grandparents program. They say, we are just eliminating all of those fat bureaucrats in community action.

None of the programs they say they are continuing are being increased even to the extent which we said they needed to be increased 6 years ago.

So the one thing we have not done in order to fight poverty was to appropriate the money to win the war. It is very easy in our country to get the money to build the bombs or supply the ammunition to fight a war in Vietnam. When the President decides to carpet-bomb Hanoi on Christmas, nobody talks about what that costs. He does it. Yet, that one enterprise costs millions and millions of dollars.

In fact, that one enterprise probably cost the U.S. taxpayer more money than the entire legal services program for the poor has cost since OEO started.

Nobody talks about whether that money should have been spent, what results it got. Mr. Weinberger doesn't say that an analysis of that shows we can prove such-and-such happened. But, we have not wasted money in antipoverty. In fact, the tragedy is we haven't even spent what we should have spent.

In view of the President's so-called family assistance program, Pat Moynihan's brainchild, it is rather interesting to note that this document proposes a program for a guaranteed annual income which was in the works 4 years before Pat Moynihan ever dreamed up his idea. And some social scientists with whom I have talked in recent weeks will tell you that the program in here is better than the one the administration proposed in 1970.

This program had a combination of both services to the poor and money to the poor. We were not caught in the cliche that says as some people do today, you only want to give money to solve poverty, or the alternative, don't give money, just give service. This is a combined approach. I will say today it is possibly the best antipoverty program that could be formulated.

It could be improved, obviously. But this will show that instead of throwing money at the problem, we in fact never used money in anything like the proportions needed. That is one of the reasons why the war on poverty has not been even more of a success than it has.

Finally, in this document, Senator, I suggested two or three things that I hope Congress will really give its attention to. I hope that you will.

First of all, I don't think that OEO can be closed down without severe dislocation in the cities and in the States and without severe depression on the psychology and morale, not just of the poor people, but of all of the people in America who believed that this kind of a war was what America ought to be concentrating on. And I include all of the people in this country who support this war today as they have since its inception.

It is not just the poor whose morale is going to be lowered by this, it is everybody in this country who believes in the ideals of America and in the Judeo-Christian heritage. They are all going to be discouraged if OEO is closed. It is a symbol that should be maintained.

But let's say just for a minute that the President, with his power, can in fact wreck OEO. It doesn't take a genius to wreck OEO.

The question before you, I suppose, and before the American people, is what can Congress do, confronted by this? And I would like to suggest three things. One, I would like to suggest that Congress could at least consider creating a national institute like the National Institutes of Health, or Education, to do research, demonstration, and pilot programs in the area of poverty, that is, to take over that aspect of OEO which is presently just being frittered away into the old line bureaucracy.

I would like to suggest that would be a useful thing for the Congress to do during this period of famine.

I propose an institute where the board of advisers or trustees would be appointed by the President, the Director appointed by the President, and so on, similar to the proposed Legal Services Corporation.

But we both know the Legal Services Corporation hasn't gotten very far because of opposition by the administration and, therefore, although I propose it and I support it, I am not too sanguine about its success.

Consequently, I propose two other things in here, which I think the Congress can do without being impeded by anybody. The first one is this:

I would like to see the Congress consider expanding the General Accounting Office into a General Accounting, Budget and Management Office. Elmer Staats, the Director of GAO, is an experienced man from the former Bureau of the Budget, as are many of his associates. I suggest to you, sir, that this would greatly benefit the Congress. It would be not only an accounting office to account for the financial expenditure of money, but an office to do management audits of the executive branch, and an office to prepare congressional budgets for the Congress.

The budgeting part of this new entity could be probably hooked very closely to the Appropriations Committees on both sides. The management part of this new entity could be locked closely perhaps to the Government Operations Committees on both sides. And the auditing part could be responsible to another appropriate committee of Congress.

But just as you now have a Government Accounting Office, created by the Congress, paid for by the Congress, responsible to the Congress, reporting to the Congress, and free of any restraint by the

executive branch, you, the Congress, could have a new entity created by yourself, manned by your people, and reporting to you on not only the money but the management and creating a budget for you.

I suggest that President Nixon would have to support that, because he has accused the Congress of the United States of being antiquated in your techniques, out of date, incapable of monitoring your own expenditures.

This would be a way in which the Congress could gain control over its own expenditures and supervise what the other people are doing. It would give you a congressional budget, and I am certain that there are dozens of people now in private industry and other private activities who would welcome a chance to go to work for the Congress of the United States in this entity, the purpose of which would be to modernize, update, and strengthen the congressional power, vis-a-vis the executive.

The second suggestion I have is this: I suggest you might at least consider the creation of a Congressional Office of Research and Development. You have a Congressional Library, you have got the Government Accounting Office, you have a legislative's counsel's office. But Congress is the only significant entity that I know of in American public life that doesn't have a research and development wing.

The Defense Department spends $8 billion a year on R. & D. Congress spends zero. The Labor Department, OEO, HEW, all have R. & D. General Motors has it; IBM has it; Chevrolet has it; Westinghouse has got it. Congress is the only one that doesn't have anything approaching an R. & D. function.

So I am suggesting that you consider creating a new entity, the purpose of which would be to research and develop ideas of Congressmen and Senators, as well as congressional committees. If, for instance, one of your committees wants to explore a certain way of attacking poverty or something to do with the tariff system, you could give that task to people who would be working for you and who would report back to you about how to do a particular thing you are trying to accomplish.

Let's say there are 10 Senators and they all have different——

Senator MUSKIE. If there are 10, there will be 10 ideas.

Mr. SHRIVER. That is not unusual in a corporation. If you have 10 vice presidents in a corporation, they have all different ways to solve a corporate problem. So what do they do when they have 10 or 6 different alternatives? They put that into the research and development division to study and then to report back to the management and board of directors.

Congress, I believe, ought to give itself that strength today. So that when a bill is put into the hopper or the committee wants to look into something, they don't have to do it simply by having public hearings like this or having the staff try to do it. The staff is overworked as it is. You should have a group of people responsible to you and to nobody else, able to run research and demonstration projects, too, under congressional mandate, without regard to the Executive.

I suggest that since the President has precipitated a clash between the executive and legislative branches that it is time for the Congress to meet that attack by striking out with some new bold initiatives,

fully within the power of the Congress, and within the traditions of this country, but which will put the Congress on at least equal footing with the executive branch in this context.

That, I say, is necessary in general, but I hope that it would also be applicable to the war against poverty. If there ever was a war we should have won and we should continue, it is this one. And since the executive branch has decided to run up the white flag of surrender in this war, I hope the Congress will continue the fight by running up the real American flag, which is the flag of compassion and interest in the problems of all of the citizens, especially the weakest of all of its citizens, including the poor.

Thank you.

Senator MUSKIE. Thank you, Mr. Shriver. You have given us exactly what I hoped you would. I think your suggestions for the Congress are innovative and provocative and useful. I will pursue these with you and perhaps get them to the point of legislation.

Consider how these things change after they have been created. You talked about some of that this morning. I ran into an amusing example in earlier hearings of this committee. It had to do with the Bureau of the Budget, which is now viewed as principally a function of the President. It even withholds information from us. And yet that wasn't the original concept. I thought you might be amused to hear this definition of the original concept, which was given by Charles G. Dawes, who was the first Director of the Bureau of the Budget, later Vice President.

So he has a link with us, I suppose. But this is what he had to say about the function of the Bureau of the Budget:

> We have nothing to do with policy. Much as we love the President, if Congress in its omnipotence over appropriations and in accordance with its authority over policy, passed a law that garbage should be put on the White House steps, it would be our regrettable duty as a Bureau in an impartial, nonpolitical and nonpartisan way, to advise the executive and the Congress as to how the largest amount of garbage could be spread in the most expeditions and economical way.

Mr. SHRIVER. I think it might be worthy of passing a bill to see whether that comes about.

Senator MUSKIE. I think by cutting the money for the Blue Plains Waste Treatment Plant, he may have achieved this by Executive order.

Mr. SHRIVER. Very good.

Senator MUSKIE. Incidentally, with respect to your material, I will ask the staff to look at it. If it is within the constraints of our budget and practice, I would like to print the whole document. It may not be as thick in terms of conventional printing as it looks in that form. But if we can't print it all, we certainly will try to summarize it.

Mr. SHRIVER. A summary of it could be easily prepared by some of the economists who worked on its creation, if you want them to be of help to your committee. But it is here for you, and I would like you to make whatever use you can.

Senator MUSKIE. We would like to have our own "Pentagon Papers."

I think there is another point that ought to be made about the failure of this administration, or about the administration's whole thrust. I suspect that one of the reasons some of these programs have not worked

as well as those of us involved in their creation would have liked is because this administration has had no commitments to them, no enthusiasm with respect to them, no understanding of them, or any inspiration to make them work.

You can't make a program work by throwing money at it, either, especially if you don't throw enough.

But as you have described the war on poverty and refreshed our recollection as to the enthusiasm that accompanied its creation, and the voluntary and spontaneous response that it received from citizens of all walks of life, what struck me is that the reason that response was generated was because those of you who ran the program believed in it, and the President believed in what you were trying to do.

Even though you had no precedent for organizing, even though you had no established programs or means developed to fight that war, you weren't inhibited at all, because you had vision of the goal and the commitment that led you to undertake what was by definition an experimental effort to deal with this problem. And President Johnson was similarly inspired.

There is nothing in President Nixon's record or his rhetoric, even, and certainly nothing in the record of his administration, to indicate that he can be inspired by that sort of objective and that sort of goal. When he came into office, he was given these programs, and a way to do these things. I don't think he understood how to use them.

Now he finds it easy to conclude that the programs are no good. The means developed are failures, even though his own administration has produced a study that says OEO is a useful program and ought to be continued. Lacking that commitment and that inspiration, you can't make a program live.

With respect to your proposed institute, I wonder even if you created it, if you could convince our President to sign the law and accept the responsibility for administering it. I have my doubts that he could make it work where another man could because I don't think he would believe in it.

I think one of the things about special revenue sharing that attracts him is that if we enact it into law, he doesn't have to be responsible for the consequences. He just shoves this money out through special revenue-sharing programs to the States and the communities, and he is not interested in whether or not the results in terms of particular social problems are successful, because he will no longer have the responsibility. Shove the money out, billions of dollars of it, incidentally, even by his reduced standard, and let the responsibility for the consequences rest with those at the State and local level, so that he doesn't have to account for them.

I suspect that is what appeals to him. He is not going to be held accountable for the failure. I don't know whether the Congress can make this administration do anything—and I am not talking about the constitutional or legal problems. I don't know whether this Congress can somehow clout or make or stimulate or persuade this administration to do something that, by nature, background, instinct, and interest, it isn't interested in doing.

Mr. Shriver. Senator, that is the reason I share your feelings about that, and that is one of the reasons why I suggested this Congressional

Office of Research and Development, as well as the expansion of the General Accounting Office, to cover management and budgeting. You know the old saying, "You can lead a horse to water, but you can't make him drink", and you can't make President Nixon do something he doesn't want to do.

Congress should therefore not say, since we can't make him do it, we can't do it. I say you can do it. And there is nothing in the Constitution, there is nothing in the tradition of this country, that says you shouldn't do it. In fact, when you are challenged the way you are now, I say you should do it.

Senator MUSKIE. Your suggestions go to making the legislative process more effective, and I couldn't agree more that we have to do that. But then we can't administer the programs we create.

Mr. SHRIVER. No, but you could, with a research and development program, conduct pilot and demonstration programs to test the research in order to give you the practical information to write the right kind of law. That means that the Congress itself could run programs, not nationwide programs, but you could at least run a program and keep the idea of fighting poverty alive during a hiatus such as we are now going through. Because Nixonism is not going to continue.

Senator MUSKIE. Another reason I like your idea is that it represents an opportunity to expand congressional authority at the expense of the Executive and challenge him to cut us back.

Mr. SHRIVER. He can't. He can go to the people but you have the purse. And if you are going to spend money generously in an intelligent way, you must have the research and the development projects upon which to base your legislation.

Let me repeat, there isn't a major institution in our society that doesn't do this, except Congress. The reason Congress has never done it is because it was always done cooperatively between the Executive and the Congress, at least from the days of Charles Dawes up until this year. And certainly from the days of Franklin Roosevelt up until now, including the Eisenhower administration.

There was a meeting of the minds between the Bureau of the Budget and the Congress. They were not antithetical weapons. The Budget Bureau was not being used against you. You had access to what information they had, because in a sense it was almost a bipartisan agreement that the Federal Government had a clearly defined responsibility for promoting social and economic justice for all people, who are citizens of the United States as well as citizens of Texas, Georgia, or Maine.

That was the agreed-upon philosophy between a Republican administration and Democratic Congress and between Democrats on both sides.

That idea is being neglected. It is being said that the Federal Government does not have a principal responsibility for improving social and economic justice in this Nation. It is being said, in fact, that we are just going to put money out and let the States do it. I call that a "New Confederatism." It is not a "New Federalism." It stems from the period of the Articles of Confederation. They failed. This will fail because it is not federalism; it is confederatism.

And I say that when this is posed for the first time, as a challenge to the Congress, as an insult to the Congress, then Congress ought to react. And you can, I say. Moreover, I say you should.

Senator MUSKIE. It is good to have someone encouraging us to assert ourselves.

Mr. SHRIVER. I used to believe it when I was in the executive branch and I believe it just as much now as when I was there. This is a fundamental conviction and I think it is getting lost. Nobody in the executive branch, except President Nixon and Spiro Agnew, has ever been elected to anything. They are not representing the people of the United States. They are functionaries. Their power derives solely from the President's election.

Congress has been elected. You are responsible to the people, not faceless bureaucrats, they way I was when I was over there.

I used to come over here and I would say: What is it that you—the U.S. Senate or Congressmen—what is it you want; how can this be done in such a way as to conform to your understanding of what the people of the United States want? You are the people who were elected.

Now, the executive branch seems to treat you with contempt. I don't mean you personally but I mean the institution.

Senator MUSKIE. No question about it.

Mr. SHRIVER. When you start getting treated with contempt, you can either sit down and let them walk over you with a bulldozer, or you can organize your own bulldozer and roll over them.

Senator MUSKIE. I kind of like the Shriver bulldozer.

Could you comment further on the argument that what we are involved in is overorganization, overbureaucratic ties, too much redtape, and all of the rest of it?

In other words, what was the relationship of the administrative burden and cost of administering the war on poverty, as compared with the other activities or other programs?

Mr. SHRIVER. We compared the administrative costs of OEO with other agencies of the Federal Government. We had a whole table, and OEO's administrative costs fell right in the middle of a string of 30 different agencies in the Federal Government.

It had, let's say, more of an administrative overhead than the Interstate Commerce Commission but less than HEW or some other agency, and that was all laid on the record.

In fact, the Government Accounting Office was over in our building all of the time making studies like that for the Congress because there were plenty of Congressmen who were trying to defeat the objective of OEO. So we were continually infiltrated from the General Accounting Office. That can be submitted for the record.

But the truth of the matter is, the overhead, percentagewise and dollarwise, in terms of employees of OEO, compared very favorably with any other agencies of the U.S. Government. That is No. 1.

No. 2, as I said a little while ago, OEO even today is one of the smallest of all of the government operations. I will give you an idea. At its height, I think there was maybe 2,500 people there. The Agriculture Department has 45,000. If the assigned mission was to be the headquarters for an all-out, national war against poverty, it was ludi-

crous to think you could do that with less than 2,500 people. They were not all in Washington, incidentally.

That 2,500 figure includes the regional offices. So that the vast majority of all of the effort in OEO was not done by Federal employees, bureaucrats, but by the people. By the Litton Industries, and General Electric, by the YWCA, YMCA, Alpha Kappa Alpha, by the Boys Club, by the Baptist Churches, by the Catholic Churches. Those were people who were out there doing the job.

Therefore, the bureaucrats argument is exactly upended.

And, finally, let me say, I read the testimony Mr. Ash made over here yesterday and it was really ironic, amusing, incredible. One of the things in his testimony was this:

As an example of a bureaucratic maze he used HEW, and said that we needed a Department of Human Resources. He said that there are 165 ways to get a health grant, or something like that, out of HEW.

The example that Roy Ash took of bureaucratic inefficiency was HEW. Where are they going to put OEO? In HEW. Why? In order to improve its administrative efficiency.

It is a ludicrous proposal, honestly. You can say that OEO was not as well-managed as it should have been. I am not arguing about it. But to put it in the den of inequity, which they use as an example of incompetence, is absurd.

Senator Muskie. OEO has had its critics from the beginning. Many of them are now most articulate in fighting the President's determination to dismantle. Can you sort out all of this and give us some sense of the enthusiasm with which people greeted the initiation of the war on poverty and the response to those initial efforts? In your judgment, what are the impressions of the program's intended beneficiaries now, those who were working in it, and so on, and those who had high hopes from the beginning? Can you give us the evaluation in these terms?

Has it been working or is it just a symbol? Is it worth keeping on? Is it worth funding adequately, from the judgment of those who have been closest to it?

Mr. Shriver. There was a wave of enthusiasm when the program was announced, because in those days the people of the United States, when they found there was a problem in our society, still had the confidence that we could do something about the problem. When we found out in the middle sixties that, despite the huge growth of the American economy and the affluence of most of us, we had left millions of Americans behind in pockets of poverty, no one ever thought we couldn't do something about it and do it effectively.

So there was that initial wave of enthusiasm. That wave of enthusiasm brought people to Washington who you never can recruit to work inside of an existing bureaucracy. There were six presidents of universities: the presidents of the University of Kentucky, Kent State, the president of Clark College up in Worcester, Mass., the president of the University of Ohio, and others who all came down here and worked for nothing, because they were captured by the idea.

The head of Headstart was the dean of the school of medicine at Syracuse. He quit the job as dean to come and run Headstart. He is now professor of child psychiatry at Harvard University, in charge of everything to do with children at Boston Children's Hospital.

He is an eminent man. You can't get him to come down and be a GS–16 inside a bureaucracy.

So you had the talent. You had the enthusiasm. And you had the initiative. And you had a President who believed in the program. Lyndon Johnson put OEO into the Executive Office of the President and told me he wanted it there and explained why.

He said:

> Sarge, if I have this program in my office, all of the bureaucrats in Washington will be afraid to attack it. And I will protect it. And I will help you get the money for it.

And he said:

> If we put it out in the bureaucracies, if we let you out there naked, they will cut you to pieces. Everything that you do in this domain, theoretically, they will oppose.

And he was 100 percent right. That is why it is in the Executive Office. And it is ironic that when you get a President who doesn't believe in it, that is the way in which he can kill it, because it is where it was supposed to have been protected.

In the early days not only did we get the kind of people and the support of the people, but also the freedom to innovate. Looking backward, it is interesting that OEO was able to start Headstart, Upward Bound, Indian opportunity, Neighborhood Youth Corps, VISTA, et cetera, every one of which is being continued in reduced scale by this administration.

If OEO had been a total failure, and the programs not good, then this administration should have the courage of its conviction and can all of those programs. How can they utter in one breath that OEO was a failure and in the second breath continue all of the programs of OEO, except CAP? Why don't they come out and say that Headstart was a failure and kill it? Why don't they say Neighborhood Youth Corps was a failure and kill it? Why not say Foster Grandparents and VISTA were failures, and kill them? No, they don't do that.

Compare that record of creativity of new programing with the Nixon administration. The Nixon administration in 4½ years has failed to put one single law on the statute books which proposes a solution to the problem of poverty. Not one.

Therefore, when somebody asks me whether OEO was a failure or was it a success, it certainly is to me a success, by comparison with what is being done now.

Finally, let me repeat what I said before: We said in 1966 that you could not overcome poverty with peanuts. Poverty is a vast problem that has been plaguing mankind since we started walking around. This country is probably one of the very few countries in the history of the world that has a chance of eliminating poverty, simply because of our general economic affluence.

We can lick it today in terms of money, statistics, income, and so on. Not that everybody is going to have the same income, but we can get people out of the poverty that exists today. But we have to have the will. We have to have a President who wants to do it, and we do have to put money into it.

So I sum up my statement in trying to answer your question by saying that the war on poverty had the mission; it had the people; it had the imagination; it produced the programs. All it didn't have was the money. And that record compared very favorably with the record of any program dealing with the poor before OEO and, God knows, since OEO.

The only program that the current administration has proposed that would really deal with the problem of poverty was the family assistance program and, as you know, the President has been the personal executioner of that program. He didn't even send in Phillips to kill it; he did it himself.

So, since they don't have one piece of work to point to, as their way to solve the problem, I don't see how you can argue under those circumstances that OEO should not be continued. I think it should be.

Senator MUSKIE. The questions that separate the administration and the rest of us on OEO are: (1) Whether it should be operated under an office which has become a symbol in the Office of the Presidency and, (2) whether or not it ought to be adequately funded.

Insofar as the constituent elements are concerned, it has been dispersed and underfunded.

Mr. SHRIVER. Their philosophy doesn't affect OEO alone, it affects the whole philosophy under which they are running the Government. They are saying they want to take the Federal Government out of the business of being an engine for social justice and economic justice in this Nation. They want to stop that whole period from 1932 to 1972. They want to roll back and make the Federal Government a small instrumentality. They want to put the burden for achieving social and economic justice on the States on the theory that the States today will do what the States failed to do under Republican administrations from McKinley through Hoover.

Their philosophy, therefore, in my judgment, is not conservatism like Senator Robert Taft, the great Senator from Ohio, who today would be looked upon as a wide-eyed radical for introducing a bill like the Walker-Taft-Ellender housing bill. They don't want to keep what is good like OEO. They are reactionaries.

They want to go back to what used to exist. It is a psychological hungering for the past, because in your mind you think it was wonderful in the twenties.

Senator MUSKIE. I didn't.

Mr. SHRIVER. They do. They think that in those days the Government wasn't requiring all of these forms and reports. And as the President says, the Government wasn't on your back. "Let's get the Government off our back and out of our pocket."

A very attractive statement. But the government that is in your pocket is local government and the government on your back is local government. Where the people are objecting to government, I believe, is that the garbage is not collected, or the streets are not safe, or they are not lit, or the transportation stinks, or there is no public transportation system at all. That is local government.

That is not the Federal Government. So when the President says, "Let's get the government off your back," he ought to mean inefficient

State and local government, and they are inefficient because they don't have the money.

But the cliche is good, and he is a cliche master. It sounds good. It is a fake.

Senator MUSKIE. Before we close I think we ought to have your comments on the community action program, which is the one element that is being utterly destroyed by the administration. And I think we could use an evaluation of CAP. In your view, what was its purpose? Did it work? Is it worth continuing, and so on?

Mr. SHRIVER. Obviously, as you already said, there is a tremendous difference of opinion about that. The most recent study of it is the one Mr. Phillips won't release and I haven't read that study, but I have been told that in general terms the study supports the effectiveness and usefulness of community action.

Senator MUSKIE. I think it might be useful to read that into the record at this point. This is called the "Utilization Test Survey Data for 591 CAA's, January 1973." This is the administration's evaluation.

Mr. SHRIVER. You have it. I haven't seen it.

Senator MUSKIE. I will read this, because you would like it. You don't hear this part of the report mentioned very much by administration witnesses.

[Reading:]

> The picture clearly shows that the Administration's redirection of community action is on target. It is already producing highly constructive mission results in both urban and rural communities, and the trends indicate that continued effort in this direction will produce substantially greater returns on a small investment.

Then there is this:

> The total emerging picture of Community Action clearly shows that CAA's are rapidly becoming very positive forces in their communities that can play significant roles in helping communities rise to the challenges of revenue-sharing and other forms of government decentralization. While we must continue to refine and verify this data, the Federal Government should also be thinking seriously about the immediate and long-range benefits to be derived from continuing to strengthen CAA, as well as local government capabilities reflected problem-solving at the community level.

In other words, this study sees the CAA as the useful tool in implementing the administration's new rhetoric and philosophy with respect to decentralizing government, just as you yourself said so well earlier.

Sarge, thank you very much.

I think we have taken your time. Your testimony is perfect for the end of these Washington hearings.

Mr. SHRIVER. Thank you.

[Whereupon, at 12:10 p.m., the subcommittee adjourned.]

APPENDIX

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ANNUAL FUNDING ARRANGEMENTS FOR HUD PROGRAMS

THE REPORT AT A GLANCE

[illegible] between the HUD Area Office [illegible] written agreement between the U.S. Department of Housing and Urban Development (HUD) and [illegible] agreement includes HUD's com- [illegible] specific programs for which the [illegible] advance certain "national objec- [illegible] nificantly greater degree of order [illegible] development; a process for im- [illegible] improve coordination between the city and the independent program operators (i.e., renewal authority, housing authority, FHA housing developer); a way [illegible] way to get your city council [illegible] grantsmenship game; a way of helping you set your priorities [illegible]

ANNUAL FUNDING ARRANGEMENTS FOR HUD PROGRAMS

It started with the U.S. Department of Housing and Urban Development (HUD), but true to most cities' beliefs that all good things don't necessarily originate in Washington, the Annual Arrangement was a product of HUD's very intellectually fertile and innovative Chicago Regional Office, which in those days was guided by Frank Fisher, the regional administrator, and Donald Morrow, his deputy. The hypothesis was that if all of the HUD assistance going to a single city were pulled together into a single package of programs, not only would the city benefit but HUD would be able to reward cities which had developed a total community development strategy – i.e., were thinking in terms of how to move their community improvement efforts across a broad front, as opposed to a project-by-project approach. At the same time HUD would realize a grand opportunity to negotiate with the city for improvements in the local programs in which HUD had a national interest.

As one of the key HUD staffers who was on the team negotiating with the city of Gary, Indiana, in 1970 when the first Annual Arrangement was consummated put it:

> When we started out with the Annual Arrangement concept in the Chicago Regional Office we thought that it did basically two things. First, it provided HUD with a greater opportunity to protect the "federal interest" which basically we saw revolved around three areas:
>
> *a*) The first was the city's administrative capacity, i.e., the ability of the local community to efficiently and effectively carry out HUD programs, and to pull together a total program.
>
> *b*) The second was to advance the efforts at providing equal opportunity which we thought by then had clearly been defined as a national interest.
>
> *c*) And the third area was one of increasing the supply of low- and moderate-income housing, and concurrently achieving local code improvements.
>
> Those were HUD's incentives for entering into an annual arrangement kind of negotiation with the City of Gary.
>
> The second thing we thought Annual Arrangements did was to further build local capacity. We saw the Arrangement as a tool which the City's Chief Executive Officer could use to bring about a greater degree of comprehensiveness in the community planning and programming for HUD assistance, irrespective of whether the agency administering a particular program was directly under his control or not.
>
> The City of Gary's interests were clearly that they had a package of HUD programs which they would like to have funded and they felt that it was of value to them to have a precommitment from HUD regarding which kinds of programs HUD would fund.

This report was prepared by Richard E. Eckfield, of the staff of the National League of Cities and U.S. Conference of Mayors. In that capacity Mr. Eckfield is the Director of the Washington Offices of the cities of Dayton, Ohio; Albuquerque, New Mexico; and San Jose, California. The report was edited by David S. Arnold of the staff of the International City Management Association. Betty Lawton of the ICMA staff handled production.

Records indicate that the city of Gary originally advanced some 16 programs for HUD's consideration. Eleven were found to have funding possibilities. What is more important, however, is that during the bargaining process, trades were made which strengthened both city and national program interests. For example, HUD felt that until the city moved forward with the appointment of a relocation director on the staff of the redevelopment commission, an appointment which the city had not acted on over the past year, HUD would not feel free to fund three of the eleven projects on the list which involved displacement.

The first Gary Arrangement was consummated through an exchange of letters between the mayor, Richard Hatcher, and Don Morrow, the acting regional administrator, Chicago-HUD. The text of these letters as well as excerpts from a typical "Annual Arrangement Memo of Understanding" are reproduced in Appendices A and B.

The concluding sentence of Mr. Morrow's December 22, 1970, letter to Mayor Hatcher reads: "I regard it [the Gary Arrangement] as a success and expect to make the process an annual occasion with Gary and other cities throughout the Region."

This fiscal year HUD began to move nationwide with its marketing of the Annual Arrangement process of doing business with cities. As of March 1, 1972, a total of 23 arrangements had been completed, with some 55 others in some stage of negotiations (see Appendix C).

THE ANNUAL ARRANGEMENT PROCESS

In its simplest terms, the Annual Arrangement process can be defined as an effort where the HUD Area Office personnel meets with the chief executive, administrative officer, and other representatives of a given community to discuss their needs and priorities for HUD programs during the coming year.

Prior to such meetings all of the HUD program using organizations in the city should have first gotten together themselves to decide what was likely in terms of needs for the forthcoming year, and then set some priorities among those programs.

HUD, either prior to such meeting(s) or at the time it meets with the city, will request the city to meet certain national goals. In addition to those already mentioned, a quick sampling of the cities that have undergone negotiations indicates that the national concerns have also included such commitments as: a workable program; citizen participation; low-income resident employment; and open housing and fair housing throughout the whole city at the very least, and hopefully the metropolitan area. (See the listing of seven national objectives in Appendix D.)

In exchange for certain commitments in these areas HUD then will be able to tell the city that there is a reasonable likelihood that some number of the programs they would like to have will be able to be funded; and HUD will tell the city which ones. The city then can concentrate its efforts to develop applications for those particular projects.

If the project applications in and of themselves are sound and meet reasonable standards, there is a very high likelihood that they will be funded when they go through the project selection system.

Having a project as part of an Annual Arrangement unfortunately is not tantamount to assured funding. The funding is reserved, however, and if the individual application scores reasonably well against the project selection criteria which have been developed over the past 12 months for almost all HUD programs, then the specific project will be funded. In the final analysis, however, since the project selection criteria reflect many of the same kinds of concerns and issues which you would expect to be present at the time of the negotiation(s) on the annual arrangements, for all practical purposes the likelihood of funding is quite high.

HOW DO YOU NEGOTIATE AN ANNUAL ARRANGEMENT?

The simple answer is, "Get yourself together." You must know what you have in terms of community development and what you want. A few suggestions can be offered.

Picking a Quarterback. Someone has to get the ball rolling, and that person should be the city's chief executive officer. However, he may not have to be the person who quarterbacks the process, and in most instances hasn't been. The overseers of the pulling together process have ranged from the model cities program director in such places as Waco, Texas; Gary, Indiana; and Richmond, California, to assistant city managers in Dayton, Ohio, and Pasadena, California; the planning department in San Jose and Oakland, California; and the renewal authority director – planning director team in Albuquerque. Success rests on the ability of the person(s) so designated to convene the meetings and arrange for the discussions and work sessions which are necessary to keep the process moving.

The Preliminary Meeting. In every instance a preliminary meeting to discuss Annual Arrangements should be held. Everyone who uses HUD funds and whose programs impact on the development of the city should be there. That means that in addition to the city departments which carry out HUD-supported programs, representatives of the renewal agency, housing authority, regional planning commission and/or councils of governments, sewer and flood control districts, FHA-subsidized housing developers, and other special-purpose governments . . . in short the representatives of all HUD-funded organizations should be in attendance.

The agenda for the meeting could well run something like this:

1. The normal way decisions have been made on the programs which are now going to be part of the

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Annual Arrangement would be for the Director of Parks and Recreation to develop his objectives, put his program together, and, when ready, send it through the administrative structure to the mayor and city council for ratification and forwarding to the funding agency. The other department heads have been doing the same, and to the extent that other agencies and organizations are involved with the city – they do the same.

2. These programs, as a consequence, do not come in at the same time; they are never seen all at the same time; and no single overview is provided.
3. Under the Annual Arrangement process, this will change. Rather than seeing an individual park grant, planning grant, or water and sewer grant, we want to see the total picture at one time. Thus the package can be refined and presented to the city council so that they also can see these programs as a package and get the overview of what such a package of efforts might be expected to accomplish.
4. Establishing this as an annual proposition is an enormous improvement over the piecemeal fashion in which these program decisions have formerly been made. Further, it will continue to bring the proposed program activities together at one time once a year so that both the staff and the city council can concentrate on them. Finally, it serves the purpose of establishing performance expectations to measure the performance of last year against, when the city is looking at next year's proposal.
5. Over time this process will facilitate future program decisions being based not so much on the resources available, but rather on whether the proposed approach reflects how the principal executives of the city think the problems of community development should be handled.

It is axiomatic that at such a meeting any and all available information on Annual Arrangements should be shared. It is also predictable that many of the people in the room will be surprised at the number of departments and agencies that are using HUD funds to carry out activities which they knew little or nothing about. Such a finding is not necessarily a negative reflection on the city's efforts at coordination, but rather reflects the fractionalization of local government which has taken place through the categorical grant system.

Establishing a Task Force. One of the assignments which will come out of that first meeting will be for all program users to prepare a listing of what they now have pending approval, as well as the programs they hope to develop.

The key to the success of your first meeting, however, is to help those attending see Annual Arrangements as an opportunity to get a comprehensive view of the physical development programs that were being offered to the city, and to sensitize the representatives of the various operating agencies to the fact that they are involved in an overall approach and an overall program. The people who handle the separate projects, as we have said, tend to see their efforts as separate, individual projects with separate, individual objectives. They cannot really address themselves to how their particular project fits into a comprehensive program that has comprehensive objectives.

The next step, therefore, is to begin the process of bringing the city operating agencies, and in some cases operating agencies outside of the city, into a discussion of what should the overall objectives of the city's physical development resources be, and how each of their programs can fit into those overall objectives.

Such an effort represents the opportunity to put together, perhaps for the first time, a single document for the city – not for HUD – which tells us where the city thinks it ought to be going and how it will get there. To do this many cities have found it useful to pull these operating representatives together into a task force.

In addition to operating personnel, some cities have added to the task force some people who might ordinarily not be privy to such discussions, such as representatives of the model neighborhood planning council and a representative of the areawide manpower planning council so as to bring in perspectives which might go beyond just the physical objectives. Such action is certainly to be encouraged.

In every likelihood, the first attempt at developing a statement of objectives will be deficient in producing a refined strategy for attacking the city's community development problems, or even a clear statement of what the problems to be attacked really are. But what is important is to make your best attempt at establishing something against which the city can measure itself, and modify it accordingly.

The next step if you wish to view this in sequence is to begin to take the lists of pending programs and

program aspirations which the operating agencies have produced and begin to sort and group them on both a functional as well as a funding-source basis and to rank them by objectives.

At this point it might be useful to point out a phenomenon which you can expect the task force to turn up. They probably are going to find some programs going forward in a very efficient manner under the guidance of very aggressive departments and agencies which unfortunately have little relevance to an overall plan or to your new objectives. Park programs and water and sewer programs are prime candidates here.

In one city the very efficient public works department, responding to the call of a priority listing of water and sewer projects, listed eight items. Among the top three, however, was only one project that complemented either the model neighborhood physical development plans (which was a high objective item) or the ongoing urban renewal efforts. But within the total list of eight were several other items which complemented these efforts. When the task force discussed the possibility of developing a different configuration of water and sewer priorities with the operating agency representatives, it became clear that their original priority listing was primarily based simply on which projects were closest to being on line and ready to go. When representatives of the public works department began thinking through their priority listing from the point of view of how their projects affected another agency's project, and how might they affect another project, the logic for changing their priority listing was compelling and they did so.

In another city a water and sewer project in one portion of the valley area of the community which was in the city had a lower need level than an adjacent area which was outside the city limit. The city department proposed the lower priority in-city project on jurisdictional grounds. The city's top management, however, overturned the recommendation, ranking the higher need out-of-city project first, but stipulating an expected time schedule over which both projects would eventually be completed.

Another phenomenon which the program refinement process will yield is recognition of performance deficiencies by certain departments. When you find them, note them. It's just as important to know if you have the capacity to utilize federal money as it is to know if you will be getting the money in the first place. Obviously top management will also want to see that the deficiencies are cured.

In addition, cases of overlap of program areas can be expected. This is particularly true of the programs the operating agencies list as "desired," and it is not necessarily bad since it indicates that more than one agency sees a particular circumstance as a problem. What would be bad is if the task force didn't catch it.

And finally there are those programs which in terms of funding possibilities are just plain simplistic. But even they should tell you something about the perception of need. The fact that they don't match up with the existing categorical grants doesn't make them bad ideas; they just make their funding priority unrealistic.

Where Does Policy Guidance Come From? It has been suggested that the task force which develops the rudimentary listings of programs should enter into a discussion of the city's overall objectives in order to provide some rationale to their lists. It is safe to say, however, that the cities which have shown the greatest capacity to program their community development desires in an Annual Arrangement document are also the ones that have some form of executive level administrative policy setting group – or administrative cabinet if you will.

Common to several successful cities is the fact that a community development executive policy group exists in their administrative structure. In three of the four cases that this author is personally acquainted with, the cities have the council-manager plan and the group operates as the tool of the manager. In the fourth it operates as a cabinet or advisory body to the mayor. While there is some variance in structure, the common elements include the city manager or chief administrative officer, the mayor or his deputy, the public works director, director of planning, city demonstration agency director (model cities), parks and recreation director, director(s) of renewal and housing, and certain key assistants to the chief administrative officer.

It is this group which attempts to thrash out the city's approaches to neighborhood stabilization, redevelopment, economic development, and the other problems cities face. In short it is this group which attempts to help the city's chief administrative officer provide the "glue at the top" which is necessary to hold a city together; and it is to such a group that many of the task forces have made their first presentation of their superlists of program needs.

As the assistant city manager for program coordination and management of a medium-sized, mid-American city which is a heavy HUD program user put it recently: "How would you like being on a Community Development Executive Policy Group and sitting down to work with the allocation of over $40 million worth of resources – it would be pretty exciting, wouldn't it?"

That, of course, is precisely what they will have to do prior to and during their negotiations with HUD. And the prospect of programming that $40 million in assistance in a manner which makes sense is both challenging and invigorating.

If such a group does not exist in a particular city, then the chief administrative officer himself and alone will have to do.

From such a presentation refinements may or may not be made. But the clear and obvious next step is a presentation to the mayor and council for their information, refinement, and ratification. The level of detail and the amount of discussion on the options and priorities which were shifted around will depend on the desires of individual city councils. Keep in mind the effort at this point is to prepare a document

which tells HUD what the city wants and will serve as the basis for bargaining for support.

So You've Sent Your Document to HUD – Now What? You might ask, where has HUD been while the city was putting its priorities together? The answer varies from HUD region to region. But in most cases the city's HUD rep has been making periodic visits to the city and feeding progress reports of the city's emerging program support expectations to the other members of the program team in the regional and area offices. In some regions the cities have been told how much dollar support to expect in certain program areas, as the city developed their program listings – and of course refined their listings accordingly. In other instances the city has not known what dollar amounts they would be dealing with either in total or for specific categories until after they submitted their arrangement request document and HUD, after a period of time to review it, came to town to negotiate.

The same is true of the areas of national concern. However, it seems that most regions have tried to tell the city what areas of concern they wish to explore.

The negotiations themselves can consist of a single meeting between the feds and the local government officials or a series of meetings. This seems to depend both on regional style and subject matter. Irrespective of how it proceeds, three things can be said about the negotiations:

1. If you emphasize that the Arrangement is a process, and that it is a growing process, and that it is a vehicle through which HUD can pull itself together and a community can pull itself together in terms of their dealings with each other, then there must be some sort of formal designation of staff on the part of both parties. HUD has to make someone available (usually the HUD rep) and the city also must make someone available who is the known contact, a city representative who can sit down and work out pre- and post-negotiation agendas on a staff-level basis. If for some reason that doesn't take place, and HUD and the city rely only on the formal negotiating sessions, you run the risk of coming to a formal session where the staff work hasn't been done and suddenly there is a very politically embarrassing moment either for HUD or the locality. The result is either bad feelings or the Arrangement is not consummated at all.
2. Given the circumstance where the staff work is provided, it still is necessary to have an overlay of top leadership, both from the city and from HUD, particularly at the beginning and the end. In the situation where the city's chief executive officer and his staff are together and well briefed, and the HUD counterparts are together, the Arrangement can be done rather quickly and with real effect.
3. No matter how the negotiations go, before the face-to-face meetings are concluded with the consummation of an acceptable memorandum of understanding, the city team is going to be a whole lot better acquainted with their HUD counterparts than they ever were before.

The agreements themselves take on a variety of forms, everything from an exchange of letters to a formalized agreement. In all cases, however, the agreements indicate the projects which HUD has agreed to fund (subject to their soundness as rated by the Project Selection System). In most instances the "national interest" actions the city has agreed to take and the deadlines both parties have agreed to for the submission of acceptable applications will also be found in the agreement document.

HOW ARE CITIES SELECTED?[1]

At the time this report was written, the Annual Arrangement had only been in effect for about one year. Thus the process of selecting cities is still experimental. The experience gained thus far, however, does indicate some of the factors that must be considered by HUD regional and area offices and the criteria that are the most important for selection of cities. It is expected that something like an Annual Arrangement will eventually become the normal way of HUD's doing business with a community. At present, however, only a limited number of cities are being selected to participate. To a large extent, the number is limited because the Annual Arrangement is new and because field personnel are unfamiliar with it. Consequently, it is necessary to select a sample of cities and use them as demonstrations of the arrangement process. Furthermore, the field offices must make a number of assumptions about funding that require them to limit the number of arrangement cities.

First, the field offices are assuming that any attempt to deal with the city's overall problems in a coordinated way will inevitably mean giving the city more money.

Second, they are assuming that no city in their jurisdiction can receive less money than it did the previous year. Since the amount of money available has not increased significantly, simple arithmetic would demand a limit to the number of cities with which arrangements can be negotiated.

Third, the number of arrangement cities is limited because of the large amount of staff time involved in preparation, negotiation, and technical assistance.

Given the problem of selecting a small number of arrangement cities (in addition to the cities which are participating in the Planned Variations demonstration and so were designated by the Secretary as arrangement cities) the regions have reacted very differently with regard to how the cities were selected, who

[1]This section is based mainly on excerpts from U.S. Department of Housing and Urban Development, *Annual Arrangements Phase I* Community Development Evaluation Series No. 6, 1972, pp. 7, 8, and 9.

made the selection, and what criteria were used.

Almost all regions used an entirely internal process. The city was not invited to compete nor informed that it was under consideration until the decision had been made. At this point the city was given the option of not participating, an option which the field offices themselves have throughout the arrangement process. By and large, the selection of arrangement cities was left to area office personnel.

There are great differences in the criteria used to select arrangement cities, which varied within regions and even within areas. In most cases geographic distribution was an implicit factor, since an attempt was made to spread the workload evenly over area offices and program teams. The most frequently used criterion was the city's ability to deal with its problems in a coordinated way. This criterion tended to give an advantage to Model Cities, with their experience in coordinated planning.

Another tendency was to pick the larger, more complex cities with a mix of HUD programs – that is, those most in need of some sort of coordinating mechanism. But a counter tendency in many regions was to avoid the largest cities because of the fear that their strategies would place too great a demand on the limited HUD funds available, and because it was thought that developing a rational strategy for such complex cities might prove impossible. Only the Atlanta region made a conscious effort to get a range of city sizes through their selection process. In other regions the very largest and the very smallest cities were generally excluded in favor of medium-sized cities.

WHAT'S IN IT FOR CITIES?

We have avoided suggesting that cities participating in Annual Arrangements will end up with more money for their programs. Indeed it is impossible to tell if the dollar level of support for Annual Arrangement cities is greater than it would have been had those cities not received this designation. In part this is due to the impounding of HUD funds by the Administration which in some categories has made less real dollars available for allocation this year than those just past; this makes the "normal" level of support difficult to measure.

It seems, then, that the real benefit which Annual Arrangements brings to cities is in building management capacity. The way in which the process is structured and the impact of the annual negotiation builds a city's capacity to bring the often formerly disparate community development program efforts together and to carry on joint programming. Further, the process should become stronger and more refined each year.

The process also gives cities experience at trying out the strategic packaging of activities that will be necessary if the city is to intelligently program its Community Development Block Grant money.

The Community Development Block Grant is a major feature of legislation supported by the administration, passed by the Senate, and reported out of the Housing Subcommittee of the House of Representatives. Indications are that it will be part of the housing legislation passed by this session of Congress.

The block grant consolidates several categorical grant programs, including urban renewal, open space, and neighborhood facilities. Under the program, funds would be distributed to eligible municipalities on a formula basis. Receipt of the funds would be contingent upon approval by HUD of a grant application. The application would specify the mix of uses to which the money would be put, based on local determination of need and priority.

If and when a Community Development Block Grant program passes Congress, the cities will have the responsibility of setting the mix of uses – not HUD. Under such a system cities will still have to identify the activities to be carried out in the same way that they would if HUD were setting the categorical mix. The only difference will be that the city will decide what the activities are to be. But the activities still must be identified, and they still must be complementary if the city expects to have some semblance of an overall comprehensive program.

The Annual Arrangements therefore is an experience in managing a resource and setting priorities among program activities which will be invaluable when cities start trying to manage the resource that will be available through the Community Development Block Grant.

Further, there will always be some categorical programs with an impact which cities cannot control. Even the Community Development Grant Consolidation legislation pending before Congress will leave the community planning and management funds outside the mix control of cities. In other words, cities still will have to negotiate for categorical approval of many of the programs they will want to fold into their Community Development Block Grant package. The Annual Arrangement seems to be a very effective way of accomplishing this.

The final benefit of the Annual Arrangement is the opportunity to build the city's annual budgetary process around it. City administrators and professionals in the field have been touting the merits of a "program budget" for years. The problem is they frequently fail to define what the city's "programs" are or should be. One of the fruits of the Annual Arrangement process is the development of a clearly defined statement of city objectives and priorities . . . a statement that will become more precise each year. These priorities now should become the targets which the "programs" contained in the city's operating budget should focus on and attempt to satisfy.

In the final analysis, if the community development program is, in fact, a reflection of the city's priorities, then you will want to devote not only HUD's resources but the entire resources of the city to its accomplishment. To do that, the city's budget must be brought into conformance with community development program objectives.

Is the Annual Arrangement only for Big Cities? By no means does the Annual Arrangement always have to be a full-blown, all-inclusive agreement between HUD and the big program users. A good use would be as an incremental step for a big community which is building toward a fuller scale, more encompassing community development strategy over a two- or three-year period.

For the small community, the Annual Arrangement still has value. While the small city may not be using many HUD programs, and their scale may be small, the Annual Arrangement may provide the documentation that the community is thinking about programming their activities beyond just one year. From HUD's perspective the Arrangement could represent the opportunity to remind the community that it needs to be thinking about its role in a metropolitan housing plan for low- and moderate-income people or some similar "national concern."

WHAT'S IN IT FOR HUD?

The Annual Arrangement seems to have come a long way from the days just two short years ago when its chief claim to internal HUD fame was its ability for getting cities to take action in certain "federal interest" areas. Within five months of the consummation of the Gary Arrangement, however, the Arrangement process had become a stepping stone in advance of "special revenue sharing" (the Administration's term for the Community Development Grant Consolidation legislation now pending in Congress).

But if we set aside all the words about how HUD is trying to help cities build their local coordinating capacity for a moment, we can see the Annual Arrangement for what it really is to HUD. You guessed it – it's a coordination capacity builder for them too.

Yes, just like our city's quarterback has to struggle with the task of trying to pull the disparate elements of the city together – a job which has been complicated by the fractionalized categorical grant system which divided them in the first place – HUD's quarterback (the HUD rep) usually struggles mightily with the task of trying to glue his categorical program representatives in the area office together (the program team) into a coordinated group.

Now add to the HUD rep's responsibility the necessity for developing an internal process that will pull together the management side of HUD which deals with entities like housing authorities, the equal opportunity staff, and the FHA subsidized and conventional insurance program operators who deal primarily with the homebuilders/developers. Suddenly the task of becoming a catalyst – of pulling together all of the various service delivery, staff support, and review elements of HUD so that they can develop a single approach for dealing with a single city – takes on considerable proportions.

HUD would like to be able to say to a city, "Look, our priorities, as far as this city is concerned, across the board are X, Y, Z." If they were able to do that, the theory goes, they would then be prepared to sit down with the city and say, "Here are the things we are concerned about. What are you concerned about?" Then both parties could negotiate an agreement – an Annual Arrangement Agreement. Most cities of course are encouraged by HUD's efforts along this line. A fair analysis, however, would indicate that in some regional and area offices the efforts at getting together have a lot further to go.

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LOCAL ACTIONS TO DEVELOP AN EFFECTIVE ANNUAL ARRANGEMENT

GOAL 1
Develop a Community Development Program

Your first goal is to develop a community development program for the city as a whole which includes all of the HUD programs which will affect the city's community development objectives. This should be set out in some form of document. Such a document should include statements reflecting:

(a) the city's priority problems,
(b) the city's priority objectives,
(c) the city's overall approach or strategy for addressing these problems and objectives,
(d) the activities which the city would like to undertake toward that end in the next year.

STEP 1: Pick a Process Quarterback. It is important that the city's chief executive officer be involved in the beginning of the process which will result in the articulation of a community development program. However, it is equally important that someone from the city who is capable of the task be placed in charge of making sure such a document is developed.

STEP 2: List Both Objectives and the Types of Programs Needed To Support These Objectives. What projects are pending? What proposals do departments have on the drawing boards? How do these projects and proposals interrelate? Do they support the priority objectives of the city? What are the city's priority objectives?

These are the questions which must be asked at the first level of the community development program building process. It is useful to have a task force representing the program users and operators take the first look at these questions and prepare the first draft of the community development document.

STEP 3: Policy Guidance from the Chief Executive Officer and His Policy Cabinet. Many of the questions asked by the task force will have to be answered by another group. The policy questions, such as which gets priority, downtown redevelopment or neighborhood stabilization and preservation, will have to be resolved by the mayor and city council. A workable process for dealing with such issues is to have the task force present their findings and issues to a community development executive policy group, which should include the mayor or a designee of the city council. The recommendations and alternatives developed by this group should then be discussed with the entire council in a work session.

STEP 4: Keep HUD Involved. The accomplishment of your first goal is completed when the community development program is formally transmitted to HUD. However, it is imperative that the HUD program team leader (usually the HUD rep) be kept abreast of the city's activities, efforts, and progress toward developing a community development program throughout the entire process.

GOAL 2
Negotiate an Annual Arrangement Memo of Understanding with HUD

STEP 5: Be Prepared for the Negotiating Sessions. As much of the agendas of both parties should be known to each other as possible.

HUD can offer the setting aside of funds for certain categorical programs, certain guarantees in terms of program and application processing, and guarantees of certain types of technical assistance.

The city in return can offer improvements in its local operations and activities which are consistent with certain national objectives.

STEP 6: Implement the Agreement. Usually the agreement will call for the modification of existing applications for program funds as well as the development of new programs for submission to HUD.

Someone on the city staff must be responsible for seeing that the deadlines are met, or modified as necessary.

A system for tracking the city's compliance with the agreed-to "national objective" actions must also be developed. In many instances the same city quarterback who provided the catalyst to the community development program process may be designated to oversee these activities.

STEP 7: Begin Thinking About Next Year. Remember, the city's objectives and strategies for attacking community development problems which were set forth in the first community development program document may be found to be wanting. It is important, therefore, for the city to reflect back on the process just conducted and its results so that any necessary refinements can be made as the city approaches the development of the second year's listing of desired activities. Each year the city's objectives should become clearer and the methods for achieving them more precise.

STEP 8: Budget Impact. If the community development program is a reflection of the city's priorities, then not only HUD's resources but the entire resources of the city must be geared to its accomplishment. The city will want to begin immediately to bring general fund program expenditures into conformance with the objectives contained in the community development program.

APPENDIX A

Letters Concluding Annual Arrangement
Gary, Indiana

December 17, 1970

Mr. Don Morrow
Acting Regional Administrator
Region IV
Department of Housing and Urban Development
360 North Michigan Avenue
Chicago, Illinois 60601

Dear Mr. Morrow:

It is with pleasure that I write you to confirm the results of the series of meetings held between the City of Gary, the Gary Redevelopment Commission, the Gary Housing Authority, the Gary Sanitary District and members of your staff. This process has allowed us to realistically plan for HUD assistance in the coming year. Certainly more important however, has been the opportunity to draw agencies of the Gary community together with your staff to candidly discuss our common problems and opportunities for their solutions. The entire process has fostered a spirit of coordination and cooperation among local agencies dealing with issues of housing and physical redevelopment, and between those agencies and your Regional office. It increases the city's capacity to deal with our problems and allocate our resources more effectively. I am confident that as a result we will be able to more effectively work together to improve the quality of life in our city. It's my hope that we can continue such an arrangement on an annual basis.

The following represents actions agreed to by the City during the course of the meetings. In some cases the actions have already been taken; in others, the representatives of the Gary community have agreed to take the action in the future:

1. The Gary Model Cities Agency has initiated an "Administrative Support" project which will provide additional staff and resources to agencies and departments that provide critical services to the Gary Model Cities area. Also, the Agency had added an Assistant Director and a Community Services Planner to its staff, and will add a Citizen Participation planner as rapidly as possible.
2. The Gary Redevelopment Commission has hired a Relocation Director and a Business Relocation Advisor to its staff. The Commission will continue to act to clear up those relocation deficiencies previously noted in the Midtown West renewal project. The Commission will add a Housing Resources advisor to its staff as rapidly as possible. The Redevelopment Commission requests that HUD provide technical assistance to train its relocation staff in the provision of relocation services and payments.
3. The Gary Redevelopment Commission with the assistance of HUD will take specific actions to expedite urban renewal activity in the City.
4. The Gary Redevelopment Commission and the City Building Department will coordinate their activities to insure that buildings in present or future urban renewal areas are maintained in such a manner as to insure the health and safety of their inhabitants.
5. The Gary Housing Authority will continue to pursue an aggressive program of providing housing for Gary's low income residents. This commitment will be in the form of a request to HUD for an additional 1000 units of low-income housing to be constructed in 1971 and 1972. These units will be located on agreed-upon sites which will provide maximum housing choices for low-income residents and will prevent areas from becoming impacted with low-income or minority groups. The City will aid the Housing Authority in its efforts to broaden its area of service to allow low-income people to have greater housing choice and to provide housing for low-income individuals living outside the assistance in this effort.
6. The City will continue to actively encourage and support the development of FHA-assisted housing throughout the City. We will make every effort to insure that such developments allow Gary residents maximum housing choice and high quality housing. In order to meet these goals, we request that 2400 units of Section 235 and 236 housing be awarded to developers working within the City.
7. The City of Gary, the Redevelopment Commission and the Housing Authority will study ways of providing greater housing opportunities for all the residents of Gary. The City requests HUD assistance in the form of a Community Renewal Program grant which will allow the City to develop a housing program aimed at providing new housing units and rehabilitating structures which will increase the administrative capacity of all agencies dealing with housing problems in our City.
8. The City of Gary, the Redevelopment Commission and the Housing Authority will continue to actively pursue equal employment opportunities for all Gary residents in the planning and implementation of all HUD-assisted programs.
9. Common Council of the City of Gary has amended the City Building Code to allow the use of new methods and materials in housing construction and rehabilitation.

In order to continue the major effect begun by the administration to comprehensively attack the problems facing our city, we will apply for the following forms of HUD assistance in the coming year:

1. One thousand units of Family Public Housing — to be administered by the Gary Housing Authority. Application to be submitted by August 1, 1971.
2. Two thousand four hundred units of Section 235 and 236 Housing.
3. Small Farms Urban Renewal — to be administered by the Gary Redevelopment Commission. Parts I and II of the application to be submitted by January 1, 1971.
4. Midtown phase II Urban Renewal — to be administered by the Gary Redevelopment Commission. Application to be submitted by February 1, 1971.
5. Water and Sewer Grant — to be administered by the Gary Sanitary District. Application to be submitted by February.
6. Community Renewal Program — to be administered by·

the Mayor's Office. Application to be submitted by February 1, 1971.

7. Concentrated Code Enforcement Grant — to be administered by the Building Department. Application has been submitted.
8. City Wide Demolition Grant — to be administered by the Building Department. Application to be submitted by February 1, 1971.
9. Second year Model Cities Program to be administered by the Model Cities Agency. Application submitted.
10. Neighborhood Facility Grant — to be administered by the Park Department. Application to be submitted by February 1, 1971.
11. Urban Beautification Grant — to be administered by the Department of Development and Planning. Application by December 31, 1970.

I urge you to favorably consider our requests for this assistance.

Let me say in conclusion, that we have welcomed the opportunity to meet with your staff and deal on an across the board basis with the housing and physical redevelopment problems facing our city.

Sincerely,

Richard Gordon Hatcher
Mayor, City of Gary

December 22, 1970

Honorable Richard Gordon Hatcher
Mayor of the City of Gary
City Hall
Gary, Indiana 46402

Dear Mayor Hatcher:

I am pleased to receive your December 17, 1970, letter confirming the results of the series of meetings held between representatives of the Gary community and my staff. I wish to express my appreciation for the spirit of innovation and cooperation displayed by the Gary community in participating in what I regard as a highly successful experiment in intergovernmental cooperation. You have helped us take an important step in improving our Regional Office's capacity to serve cities.

I also wish to commend Gary for its aggressive effort of the past two years to greatly increase the supply of low and moderate income housing units throughout the City. I was pleased to note that your request for HUD assistance in the coming year indicates a continuing commitment to increase housing opportunities for all Gary residents.

In response to your specific requests for HUD funding in the coming year, our Regional Office will favorably entertain applications for the following:

a. One thousand units of Low Rent Housing
b. The Small Farms Urban Renewal Project
c. Phase II of the Midtown Urban Renewal project
d. A Water and Sewer Grant
e. A Community Renewal Program
f. A Concentrated Code Enforcement Assistance Grant
g. A City-wide Demolition Grant
h. A Neighborhood Facility Grant
i. An Urban Beautification Grant
j. A Second Year Model Cities Program

Funding of the above activities is, of course, contingent upon the applications fulfilling the respective statutory requirements and regulations governing the use of HUD assistance. Also, the approval of HUD's Central Office will be required in some cases.

I cannot respond specifically to your request for 2400 units of Section 235 and 236 housing until I know the regional allocation of units for this fiscal year. I expect to communicate with you on that matter when such information becomes available.

In response to the request for technical assistance in training the relocation staff of the Gary Redevelopment Commission, HUD will provide such assistance through a contract between a consulting firm and the Model Cities Administration in our Central Office. The assistance will be available in January of 1971. As you know, the provision of relocation services and payments is of critical concern to me. Because of the large amount of displacement projected in the coming years, I expect both of our staffs to work closely in monitoring relocation activities.

My staff will also assist the City and the Gary Housing Authority in their effort to expand the Authority's area of service. The City's goal of providing increased housing opportunities in the City and throughout the metropolitan area is shared by this Department.

As a result of the agreed-upon actions indicated in your December 17, 1970, letter, as well as the plans outlined in your Workable Program submission, we are re-certifying the City's Workable Program. The Workable Program certificate accompanies this letter.

Once again let me extend my personal thanks to you and to the other representatives of the Gary community who participated in this effort. I regard it as a success and expect to make the process an annual occasion with Gary and other cities throughout the Region.

Sincerely yours,

Don Morrow
Acting Regional Administrator

Source: Community Development Service Center of the National League of Cities/U.S. Conference of Mayors.

APPENDIX B

Typical Annual Arrangement Memorandum of Understanding

Editor's Note: *Portions of an actual agreement running from July 1, 1971, to June 30, 1972, are reproduced. The introductory statement, preamble, and procedural sections have been omitted. Other sections have been condensed.*

II. ACTIONS TO BE TAKEN BY CITY

(1) Long- and Short-Range Objectives. City shall work in good faith toward the achievement of the general long and short-range objectives set forth in the Annual Arrangement Document that include:

Long-Range Objectives

(1) Provide standard housing for all citizens.
(2) Provide public facilities and services to serve citizens in all areas. Assure that the service areas of these facilities are consistent with the service area criteria listed in the Urban Development Policy.
(3) Provide equal employment opportunity.
(4) Improve economic conditions.
(5) Direct urban expansion to insure the most desirable pattern of city growth.
(6) Encourage broad, continuing citizen participation in all aspects of government and community life.
(7) Provide cultural facilities for all residents of the city.
(8) Develop and implement a comprehensive strategy to meet the social and human needs of all groups in the community.
(9) Preserve and improve the environment.
(10) Develop and continually refine a comprehensive management strategy which facilitates effective coordination of diverse and complex community development programs and projects.

Short-Range Objectives

(1) Improve housing conditions by:
  a. Increasing the supply of quality low and moderate income housing.
  b. Dispersing low and moderate income housing to unconcentrated areas throughout the community.
  c. Improving the condition of housing which is currently substandard or deteriorating.
  d. Maintain the condition of currently standard housing.
(2) Increase the level of service of existing public facilities where needed, provide additional facilities where deficiencies exist, and provide new facilities meeting city service criteria.
(3) Formulate programs to provide better economic conditions, more jobs, and equal employment opportunity.
(4) Continue to review and refine policies and programs to guide urban growth.
(5) Provide additional opportunity for citizen participation. Encourage an on-going process of citizen participation including on-going CDP evaluation with citizen involvement
(6) Provide additional cultural facilities.
(7) Continue to develop programs to meet the social and human needs of all groups.
(8) Explore alternative approaches to solve environmental problems. Expand programs to preserve and improve the environment.
(9) Develop and refine procedures to more effectively manage community development programs and projects.

(2) Establishment of Centralized Relocation Services. The City shall adopt a City-wide centralized relocation program on or before June 30, 1972. The City will consult with HUD staff in the development of organizational policies and operational procedures for said program.

(3) Feasibility Study of City-Wide FHA Sales Code Enforcement. During the term of this Memorandum of Understanding, City agrees to study the feasibility of establishing a City-wide pre-sale Housing Code inspection program for FHA insured housing. City further agrees to report its findings with respect to said feasibility study, together with its Community Development Program which City will prepare for the proposed understanding between City and HUD regarding an annual funding Arrangement for the fiscal year 1972-3.

(4) Local Implementation of the Model Neighborhood Plan. A Model Neighborhood Plan shall be developed by the City using a combination of $_____ HUD Supplemental Grant Funds for the City's Model Cities Comprehensive City Demonstration Program, $_____ of Federal funds granted for the Neighborhood Development Program and $_____ of City resources. In support of the Model Neighborhood Plan, HUD agrees to carry-over up to $_____ in HUD supplemental Grant Funds for the first action-year of the City's Model Cities Comprehensive City Demonstration Program into the second action-year of said Model Cities Program.

(5) Local Implementation of Civil Service Affirmative Action Program. The City will adopt an Affirmative Action Program for Municipal Employment for the City of _____ by _____, 19__. City shall, by _____, 19__, employ a Training Officer to be assigned to the Employee Services Division to develop a career development program and an Administrative Aide to be added to the Classification Division to assist in the review of the classification structure of City employment.

(6) Water and Sewer Applications for Fiscal Year 1971-2. The City shall accelerate its proposed schedule for applications to HUD for water and sewer grants to assist funding the construction of water and sewer facilities for the City and shall, in the fiscal year 1971-2, apply for water and sewer grant funds in the approximate amount of $ _____ in addition to the grant for $_____ for the "ABC Supplement" already approved this year.

(7) Local Implementation of Housing Action Program. The housing element of the City's General Plan, in preliminary form, shall be submitted to the City Council by _____, 19__. A policy to provide a density bonus program shall be adopted by _____, 19__ for economic mix in rezon-

ings and planned developments, and the detailed procedures to carry out the program shall be submitted to the City Planning Commission in the near future. The City shall confer with HUD representatives in the review process of implementation devices for all housing policies. The City shall begin implementing said program immediately after its adoption.

III. HUD RESERVATIONS OF PROGRAM FUNDS

(1) **Community Planning and Management.** The City shall apply to HUD for Federal grant funds for Community Planning and Management by __________, 19___. HUD agrees to reserve $_______ in Community Planning and Management Funds pending the receipt and approval by HUD of an application.

(2) **Community Development.** The City shall hold public hearings in accordance with applicable law on the adoption of a Redevelopment Plan for the redevelopment of the areas described in the Neighborhood Development Program. Upon adoption of a redevelopment plan by the City in accordance with applicable law, the City understands the Redevelopment Agency of City shall submit a formal application for a grant to fund the Neighborhood Development Program. HUD agrees to reserve $_______ in Neighborhood Development Funds for the first action-year for the said program.

(3) **Open Land Exception Program.** At the present time, funding restrictions prevent HUD from approving an application for a Federal grant for survey and planning for an Open Land Exception Program. However, HUD agrees to request a waiver to this policy for the purpose of approving an Open Land Exception Program as proposed by the Redevelopment Agency. Upon approval of the waiver request, HUD will entertain an application for an "Open Land Exception Program" as described in the Arrangement Document.

(4) **Open Space.** The City shall submit applications for the following open space projects, in accordance with the __________, 19___, "Letter to Proceed" from HUD. Deadline for submission of the applications is __________, 19___. HUD agrees to reserve open space funds of $_______ for various projects pending the approval of the specific applications.

(5) **Neighborhood Facilities.** The City shall submit an application for the East Side Neighborhood Facility by __________, 19___, and HUD agrees to reserve $_______ to fund the Federal share of the said Facility.

(6) **Water and Sewer.** The City will reschedule its applications for water and sewer grants as set forth, and HUD agrees to reserve $______ for applications for Federal grants for the construction of water and sewer facilities which the City submits to HUD by ______, 19___.

(7) **Model Cities.** The planning-funding process of the Model Cities Comprehensive City Demonstration Program will remain unchanged as a result of this Memorandum of Understanding. City understands that HUD will continue to reserve the $_______ Supplemental Grant Funds presently allocated for the first action-year of City's Model Cities Comprehensive City Demonstration Program.

(8) **Low-Rent Public Housing.** The Housing Authority of the City of __________ will submit an application for ______ units of Section 23 Leased Housing and ______ units of Turnkey construction. HUD has already approved the additional $_______ in annual contributions for the Leased units. HUD agrees to reserve an additional $________ in annual contributions contract authority for the Turnkey units. An application supporting these additional units will be filed with HUD by _______, 19___.

(9) **FHA Subsidized Housing.** The City agrees that the primary short-run objective to be met in the study of housing alternatives is the development of a housing plan and program for the direct involvement of the City in the review and approval of HUD assisted and insured housing in City. The City shall develop the housing plan and program as part of the housing element of its General Plan. The City shall work with HUD in development of the program. Only after the development and implementation of the housing element of the General Plan, will HUD entertain a request by the City for direct involvement in the allocation of 235, 236 or 221(d)(3) Rent Supplement Funds for City. Upon the adoption of the above-mentioned housing element of the General Plan, HUD also agrees to be guided by the said housing element of the General Plan in its unassisted single-family and multi-family mortgage insurance decisions.

APPENDIX C

Cities Involved in Annual Arrangements

March 1, 1972

This list was compiled by the Evaluation Division of Community Development on the basis of reports by the Office of Field Support and informal field contacts. In view of the decentralized nature of the Annual Arrangements demonstration and the different procedures being employed in different field offices, a certain amount of personal judgment was involved in deciding which cities belonged on the list and in which categories. The following summary indicated the best estimate of total activity at the present time:

Completed — those cities with which agreement has been reached and some form of document signed. **23**

Negotiation — those cities with which it has been decided that negotiations of some sort will be carried on. There is no guarantee that all these negotiations will be successful in leading to an agreement. In line with the Secretary's May 18, 1971 memo all Planned Variations (PV) cities are included in this category, except those which have indicated they will definitely not exercise their option to participate. **55**

Consideration — those cities which are still being actively considered for negotiations. **12**

	COMPLETED	NEGOTIATION
I Boston RO		
Boston AO	Fall River, Mass. New Bedford Springfield Pawtucket, R.I.	Boston, Mass. Holyoke Providence, R.I.
Hartford AO		Bridgeport, Conn.
Manchester AO		Portland, Me.
II New York RO		
Buffalo AO		Rochester, N.Y. (PV)
Newark AO		Newark, N.J. (PV) Paterson (PV)
New York AO	Syracuse, N.Y.	New York, N.Y.
San Juan AO	Virgin Islands	
III Philadelphia RO		
Philadelphia AO		Wilmington, Del. (PV)
Pittsburgh AO		Erie, Pa. (PV)
Richmond AO		Norfolk, Va. (PV)
Washington AO		Washington, D.C.
IV Atlanta RO		
Atlanta AO		Athens, Ga.
Birmingham AO		Clanton, Ala.
Columbia AO		Rock Hill, S.C.
Greensboro AO		Winston-Salem, N.C. (PV)
Jackson AO		
Jacksonville AO		Tampa, Fla. (PV)
Knoxville AO		Morristown, Tenn.
Louisville AO		Danville, Ky.
V Chicago RO		
Chicago AO	Bloomington, Ill. Rockford	E. St. Louis, Ill. (PV)
Columbus AO	Youngstown, Ohio	Dayton, O. (PV)
Detroit AO	Grand Rapids, Mich.	Lansing, Mich. (PV)
Indianapolis AO	Evansville, Ind. Gary	Ft. Wayne, Ind. Indianapolis (PV) South Bend
Milwaukee AO	Milwaukee, Wis.	Madison, Wis. State of Wisconsin

	COMPLETED	NEGOTIATION
Minneapolis AO		
VI Ft. Worth RO		
Dallas AO		Albuquerque, N.M. Tucumcari El Paso, Tex. Grand Prairie Olney Port Arthur Waco (PV)
Little Rock AO		Ft. Smith, Ark. W. Memphis
New Orleans AO	Shreveport, La.	Monroe, La. New Orleans
Oklahoma City AO	Tulsa, Okla.	
San Antonio AO		Corpus Christi, Tex. Eagle Pass Laredo San Antonio
VII Kansas City RO		
Kansas City AO		Topeka, Kan.
Omaha AO	Ottumwa, Ia.	Des Moines, Ia. (PV) Mason City
St. Louis AO	Wellston, Mo.	Charleston, Mo.
VIII Denver RO	Standing Rock Indian Res., N.D.-S.D. Butte, Montana (PV)	Sioux Falls, S.D.
IX San Francisco RO		
Los Angeles AO		Tucson, Ariz. (PV) Pasadena, Calif. Riverside
San Francisco AO	Richmond, Calif. San Jose (PV)	Ventura Fresno, Calif. (PV) Oakland Hilo, Hawaii
X Seattle RO		
Portland AO	Portland, Ore.	
Seattle AO	Seattle, Wash. (PV)	

Source: U.S., Department of Housing and Urban Development, *Annual Arrangements Phase 1*, Community Development Evaluation Series No. 6 (1972), pp. 84-86.

APPENDIX D

HUD Memoranda on the Annual Arrangement

Editor's Note: *Reproduced below are excerpts from a memorandum, dated May 18, 1971, from George Romney, Secretary of Housing and Urban Development, to all HUD regional administrators and area directors, and a memorandum, dated December 6, 1971, from Richard C. Van Dusen, Under Secretary of Housing and Urban Development, to all HUD regional administrators, area directors, and insuring office directors.*

From the Secretary:

Annual Arrangements. The President has pointed towards a greater emphasis on annual incremental funding in all programs and an effort to work categorical aids into total community development strategies. In some localities you will find it appropriate to develop annual arrangements or "packages" of grant assistance. This not only assures coordination of our grant programs but may permit at one time the resolution of basic difficulties affecting various programs thus making easier the later processing of specific projects. In this way, communities can be given realistic figures with adequate lead time permitting better project planning and making unnecessary the preparation of applications for which there is no reasonable prospect of funding.

I know that the resolution of differences between the Federal government and localities in working out overall assistance will not always be easy, but experience to date indicates that where annual arrangements have been concluded the city response has been favorable. The selection of a limited number of cities for such arrangements must be up to you, and will depend upon your determination of where such coordination is most valuable, the built-in timing of reviews of local performance and your staff capacity.

From the Under Secretary:

The simultaneous and parallel development of the project selection systems and the Annual Arrangement process has prompted some questions as to compatibility of the two. There has been some suggestion that the project selection criteria inhibit the freedom of Area Office personnel to put together "packages" of HUD program grants responsive to local needs. We have given a good deal of attention to this problem both in the Central Office and in consultation with field officials.

The objective of the Annual Arrangement process is to use HUD programs in a given locality with consistency of purpose and in a mutually supportive manner. We find nothing inconsistent between this objective and the selection for funding of projects which are a part of an Annual Arrangement and which (a) meet all threshold requirements, and (b) score well when measured against other relevant program criteria and against competing applications. The project selection criteria should help localities identify, for inclusion in an Annual Arrangement, projects which are likely to be funded, and will help you to pick the best projects for funding. The Annual Arrangement process should result in a "package" of good projects which are consistent with local objectives and which are mutually supportive.

A few additional comments may be helpful to you as you work with the project selection systems and the Annual Arrangement process.

Benefits of Annual Arrangement. Cities will not receive extra funding by reason of their participation in the Annual Arrangement process. The benefit of the Annual Arrangement should come *inter alia* (a) from the likelihood of funding of those projects mutually selected for inclusion, (b) from the fact that the projects are mutually supportive and part of a plan, rather than the results of random selection, and (c) from the avoidance of time wasted pursuing applications not likely to be funded.

Planning Tools. In approaching the Annual Arrangement negotiations, you will find that statutory requirements with respect to programs likely to be considered for inclusion are also useful planning tools. For example, the Workable Program for Community Improvement is not only a statutory requirement for NDP, but should also be the basis of a community development strategy, encompassing many local activities and other HUD programs. Areawide planning is not only a statutory requirement for Open Space and Water and Sewer Grants, but can provide a helpful basis for relating the community's annual strategy to areawide plans for housing and other community development programs. The "housing element" required as a part of land use planning with 701 funds, can be very helpful in determining the needs for housing as a part of an Annual Arrangement. Comments resulting from the A-95 process also represent a valuable resource in the development of an Annual Arrangement.

National Objectives. The city should be permitted considerable flexibility in the development and implementation of its strategy. However, to the extent that they are related to local needs, certain key National Goals should receive special consideration, such as:

(1) Positive local actions to improve the living environment as reflected in the Workable Program for Community Improvement and the Housing Act of 1949, as amended.
(2) Ensuring proper relocation resources and practices in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and the Relocation Policies and Requirement Issuances.
(3) Ensuring coordinated and planned areawide development as required by Title II of the Demonstration Cities and Metropolitan Development Act of 1966 and the Areawide Certification Process Issuances.
(4) Provision of low and moderate income housing as reflected in the President's statement on Equal Housing Opportunity of June 11, 1971, and in accordance with Section 2 of the Housing and Urban Development Act of 1968.
(5) Equal availability of housing to all citizens as reflected in the President's statement on Equal Housing Opportunity of June 11, 1971, and in accordance with Title VIII of the Civil Rights Act of 1968.
(6) Equal employment opportunity in accordance with Executive Order 11247 and Section 3 of the Housing

and Urban Development Act of 1968 as amended.

(7) Environmental preservation and improvement in accordance with Executive Order 11514 and Section 102 of the National Environment Policy Act of 1969.

Participants in the Annual Arrangement Process. Where the jurisdiction of a HUD Area Office overlaps the jurisdiction of an Insuring Office, both Area Office and Insuring Office personnel should participate in the negotiation of the Annual Arrangement, so that housing and community development programs are effectively linked. The local chief executive is, of course, an essential participant. He should coordinate the activities of local agencies and groups involved in the Annual Arrangement process. He should involve in the process residents of affected areas and of the city as a whole.

Formalities of the Process. Experience suggests that during the negotiation period, face-to-face discussions are more productive than exchange of extensive documentation. However, once agreement is reached, it should be reduced to writing and signed by both HUD and the city. The necessity or desirability of other signatories should be considered in each case.

Evaluation. Regional Administrators should be developing procedures for monitoring and evaluating Annual Arrangements. There has been considerable variation in approach, and we should take full advantage of the lessons of experience with various methods and techniques.

We are confident that HUD is now in a position to utilize the resources committed to the Department in a coordinated, mutually supportive way. Progress, however, will depend on you, and on the local officials and organizations with which you work. We will welcome your comments and suggestions.

Source: U.S., Department of Housing and Urban Development, ***Annual Arrangements: Phase 1,*** Community Development Evaluation Series No. 6 (1972), pp. 70, 78-80.

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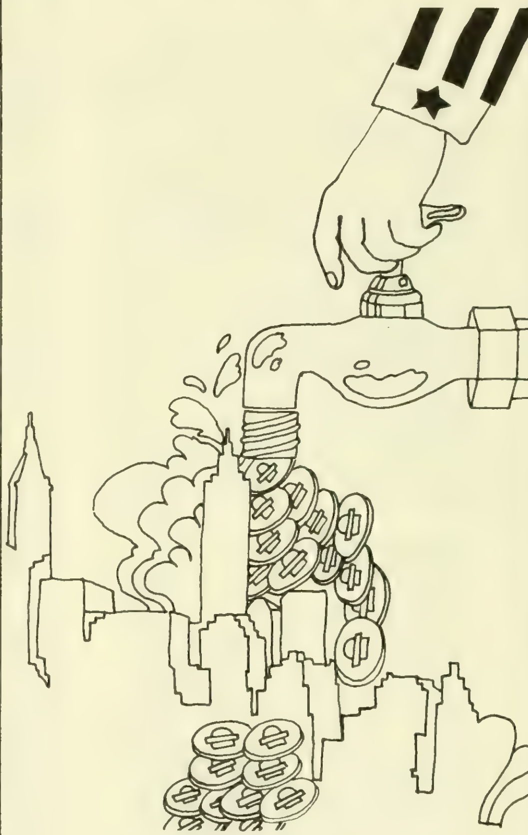
REPORT

Management guide to revenue sharing



THE REPORT AT A GLANCE

At last, local government officials have received what they have been asking for — a revenue sharing measure that will disperse over $30 billion in national income tax revenues during the next 5 years to the 50 states and 38,000 local governments in this land. This simple law, with its minimum of red tape, poses both a responsibility and a grand opportunity for state and local governments to show that the implied national belief in their ability to deliver services, develop solutions to local maladies which presumably escaped resolution through the categorical grant system, and provide greater responsiveness to the people has not been misplaced.

Local officials will need to develop a justifiable plan for the expenditure of these funds to satisfy not only the rudimentary reporting requirements to the U.S. Treasury Department, as required in the Act, but also to satisfy the political reporting realities implied in the passage of this Act. To do this local officials should not only consider the merits of their proposed expenditures when weighed against relevant management considerations, but also the expenditure plan should also show sensitivity to the broader issues involving the local role in those issues and activities which are beyond their traditional direct control, including intergovernmental program responsibilities and property tax relief.

MANAGEMENT GUIDE TO REVENUE SHARING

It's here . . . it's happened . . . revenue sharing (officially the State and Local Fiscal Assistance Act of 1972) is on the statute books. This program which provides for the national collection of taxes for rebate to state and local units of government is now part of the intergovernmental fiscal arrangements of our land. Revenue sharing in large measure is the product of a national attitude on the responsiveness of various levels of government. While the people of this nation have never had to decide how many of their needs they would like to satisfy collectively (government), and how many of life's necessities they wish to satisfy through their individual abilities, nevertheless a national ethic has evolved which holds that whatever collective domestic needs are provided for through government, they are best provided by local government. These governments, because of accessibility and proximity, are closer to the people and therefore presumably better equipped to deal with their common needs and to respond to their aspirations.

That principle provides the underpinning for revenue sharing. Untried and untested, the revenue sharing measure which has been passed by Congress and signed into law may well prove to be the testing ground on which this country can decide whether its subscription to this ethic of local government responsiveness has been justified.

This report has been prepared by Richard E. Eckfield of the staff of the National League of Cities and U.S. Conference of Mayors. In that capacity Mr. Eckfield is director of the Washington offices of the cities of Dayton, Ohio; Albuquerque, New Mexico; and San Jose, California.

Final editing and production were handled by David S. Arnold and Betty Lawton of the staff of the International City Management Association.

Suggested citation: Management Information Service, Richard E. Eckfield, Management Guide to Revenue Sharing *(Washington, D.C.: International City Management Association, Vol. 4 No. 11, November 1972).*

This MIS report is designed to accomplish 2 objectives. The first is to assist local managers in initially understanding and planning for the utilization of this new law and the resources it provides. The second and equally important objective is to remind local government managers that the future directions of this legislation may depend on their actions. The future of revenue sharing, perhaps more than any other program of domestic assistance ever passed by Congress, may well rest in great measure on the manner in which it is initially utilized.

A SIMPLE ACT, A GREAT OPPORTUNITY, AND GREAT EXPECTATIONS

Perhaps most noticeable in the State and Local Fiscal Assistance Act of 1972 is its lack of detailed statutory provisions. In terms of dollars to be spent, this measure has to rank among the simplest, least complicated pieces of legislation to pass Congress in many years. It is designed to work without the need to create any new major federal agency. Responsibility for administration falls to the relatively small staff of the Office of Revenue Sharing, located in the Treasury Department. The funds themselves are to be distributed on the basis of the act's formula, which in turn relies on the use of census data and objective statistics.

By and large the states and local governments are free to exercise discretion over the use of their funds, provided they are used for ordinary and necessary maintenance and operating expenses within the high priority expenditure areas enumerated in the act (see summary of the act in Appendix A), or are used for any ordinary and necessary capital expenditure which is authorized by local laws, irrespective of expenditure categories.

The allocation of funds is automatic, and the legal planning and reporting requirements are so simple that with careful review most state or local governments should have little difficulty meeting them.

Yet the opportunities for local initiative embodied within this act are considerable, and the expectations for such initiative are high.

Generally speaking the amount of money the typical city will receive is equivalent to 1 to 2 years natural increase in expenditures. However, it is usually no more than what has heretofore ordinarily resulted from sales tax or other revenue increases which, in the past have usually been absorbed by the rising costs of maintenance and services and have provided little new, clearly identifiable money.

On the one hand, revenue sharing funds do not constitute that great an amount of money and could easily be absorbed as past revenue efforts have been.

On the other hand, we have all of the expectations that come with revenue sharing, including the desires of interest groups proposing tax cuts or specific types of expenditures, and the possible expectations of state and local government employees for salary increases.

To that we should add the expectations of the national administration whose stated position is: While they do not believe that the mere input of money will solve all problems at the local level, with this money comes the responsibility of elected officials to see that it is spent wisely. It will help solve some problems and lessen others, but in the final analysis it will allow local voters to review the wisdom of the expenditures.

Now add to that the obligations professional managers have to make good on the expectations they have produced regarding their ability to provide a higher level of local government actions if only given the latitude to do so; and then add perhaps the necessity to assume some former state and federally supported burdens which are being pushed back to local government; and we have a situation where the total of the expectations is considerably higher than the amount of money justifies.

In another context, revenue sharing provides an opportunity for local governments to show that they can deal with the strategic management of limited resources. Cities and other local governments will be judged by that objective. Revenue sharing represents a sharp break with federal grant policies and is therefore a more sensitive (political if you prefer) issue. Elected officials at all levels of government will be watching state and local performance closely.

DEVELOPING AN EXPENDITURE PLAN

On October 20, 1972, the President signed the State and Local Fiscal Assistance Act of 1972 into law. At the ceremony at Independence Hall in Philadelphia he said: "After many years in which power has been flowing away from those levels of government which are closest to the people, power will now begin to flow back to the people again – a development which can have an enormous impact on their daily existence."

After citing some possible uses, e.g., better schools and hospitals, new drug control programs, job training, recreation facilities, and public transportation, he added:

> But the most important point is this: in each case it will be local officials responding to local conditions and local constituencies who will decide what should happen, and not some distant bureaucrat in Washington, D.C.
>
> The American people are fed up with government that doesn't deliver. Revenue sharing can help State and local government deliver again, closing the gap between promise and performance.
>
> Revenue sharing will give these hard pressed governments the dollars they need so badly. But just as importantly, it will give them the freedom they need to use those dollars as effectively as possible.
>
> Under this program, instead of spending so much time trying to please distant bureaucrats in Washington – so the money will keep coming in, State and local officials can concentrate on pleasing the people – so the money can do more good.
>
> This is why I am determined to keep red tape out of this program. States and cities will not have to worry about filing complicated plans, filling out endless forms, meeting lots of administrative regulations or submitting to all sorts of bureaucratic controls. When we say no strings we mean no strings. This program will mean both a new source of revenue for State and local governments – and a new sense of responsibility.

The ball is in the local official's court now, and there are no more federal guidelines to contend with. Isn't that wonderful? . . . Or is it? This also means there are no federal guidelines to hide behind. When faced with competing priorities, that convenient excuse that "the feds want us to do it that way" is no longer there.

It's all well and good to wave the federal requirements good-bye. But the wise managers recognize that this does not make them immune to guidelines. What it means is that it is now incumbent upon the local manager to develop the rationale by which he can base his judgment for the allocation of these funds. And given the expectations of Congress, the public, urban professionals, et al., that rationale ought to be as germane to sound management as possible.

What follows, then, are suggested guidelines drawn from early revenue sharing planning experiences of selected cities that have a good record for administrative planning and rationale in other endeavors – HUD Annual Arrangements (see MIS report No. LS-6, *Annual Funding Arrangements for HUD Programs*, issued in June 1972), Planned Variations; 701, etc.

Future Financial Integrity. The present general revenue sharing measure will provide funds to state and local governments for a 5-year period. Within those 5 years, the actual amount of monies shared could fluctuate to reflect the relative shifts of tax efforts and population/income between various states and localities. Sound management would indicate that the local government should have weighed proposed expenditures against the potential long-term liability such expenditures may create. If revenue sharing concludes at the end of 5 years, will the project or program carry its own weight? Within the 5-year period, does the short- or long-term nature of the activity permit or inhibit maximum flexibility in terms of alternative uses of these funds? Will the expenditure enhance the overall fiscal position of the local government?

From a program budgeting perspective several cities have found it useful to program their proposed expenditures over the full 5-year period. In this way the true impact of a proposed expenditure can better be presented and evaluated.

It is also useful to note that financial administration is one of the specific high priority areas enumerated in the act. For those local communities that have not had the opportunity to improve their local financial management capacity relative to the use of modern program budgeting, accounting, and cost effectiveness techniques, the use of revenue sharing as a major step in this direction should surely be considered.

Lack of Other Available Resources. Under most circumstances

revenue sharing funds should only be used where no other funding source exists. It is important to remember that this management consideration works both ways. Not only should alternative funding be sought for proposed activities, but the security of the existing funding for ongoing activities should be considered as well.

The present administration, for example, has pledged its intent to keep federal expenditures for the current fiscal year (ending June 30, 1973) below $250 billion. To accomplish this, some $6 to $7 billion in previously proposed expenditures will have to be withheld. Much of the withholding or impounding could come from the proposed allocations for the domestic programs administered by Office of Economic Opportunity and the Departments of Housing and Urban Development; Health, Education, and Welfare; Transportation and Labor. Revenue sharing funds, though not intended as replacement funding for budgetary cuts in other programs, may nevertheless have to be relied on for these purposes.

It should also be noted that the same bill which brought us revenue sharing also placed an appropriations limit of $2.5 billion on the social service sections of the Social Security Act. This $2.5 billion, if appropriated, would be divided among the states on a population basis.

Estimates in 1972 by the Department of Health, Education, and Welfare, however, showed the estimated fiscal 1973 expenditures for social services to be some $4.658 billion, or $2.158 billion more than the maximum amount which could be appropriated for this purpose. In many states this will require the curtailment of certain social service programs at the local level unless the state makes up the loss with its revenue shared funds. Local government (particularly county) revenue sharing funds may also have to be used for this purpose.

Crisis Avoidance. If an expenditure to cure a certain problem is not made at this time, will a greater crisis occur? Examples include sewer line replacement, which left unattended could burst or cause a serious health problem; the development of an adequate water supply, which if ignored could lead to water rationing, etc.

Visibility. There may be a correlation between the expectations of many interest groups and the desire to "see" some tangible result. Whether a project is one which the public will be aware of or one which is buried from view can be a serious consideration.

Public Priorities. The law and the regulations have no citizen participation requirements beyond the requirement that prior to March 1, 1974, the first report on how the funds received from the first two entitlement periods were actually spent be published in a newspaper

Before the funds received for the third through seventh appropriation periods can be spent, an additional report or plan in advance of spending will also have to be filed with the Secretary of the Treasury. It is anticipated, however, that the requirements for these preexpenditure plans will be no more rigorous than those prescribed for the postexpenditure report – namely, a listing of the amounts and purposes for which funds were obligated or appropriated, the necessary certifications that the funds were not or will not be used to match federal funds, and were or will be appropriated and utilized in accordance with prevailing local law. Such reports must be published in a newspaper with circulation within the geographic area of the recipient government, and each government must advise the news media of the publication of its reports.

While these requirements may seem to be minimal, it is suggested that some effort be made to ascertain the public will in connection with any list of proposed expenditures. Conscious attempts should be made to open up the priority decision-making process to the citizens. Though it is not required, it is most desirable. If we have learned anything from the Model Cities program and other attempts to develop responsive government, it is that the only real fear that should come from involvement is that which stems from government's attempt to exclude citizens from the decision-making process in the first place. Citizens will know their local government is spending their income tax dollars. They may have an interest in how the priorities are set. Welcome them to the process, in the same fashion that the city or county is (or should be) involving them in the other budget development processes.

Impact on a Problem. A test which is frequently used in certain categorical programs in an attempt to rank a program application is the degree to which a particular undertaking will produce results which are both durable over time and significant if no further effort is made beyond the first few years. A reasonable question to ask is: Will the proposed activity yield durable and significant progress toward solving a problem, or enhancing an asset during or by the end of the fifth year?

Legal or Policy Imperatives. Many governments are faced with legislative or judicial rulings which mandate some specific action. Revenue sharing funds could perhaps satisfy some of these mandates. Similarly, many city councils politically bind themselves to certain actions (strengthening law enforcement effectiveness following a series of muggings, traffic improvements following a rash of accidents at a particular location, etc.). Proposed projects should be considered in light of these legally or politically binding imperatives.

Revenue Savings. Does the project either generate new revenue or increase efficiency so that cost is reduced? You will recall that one of the attributes local government professionals claimed would accrue to local governments given flexible financial assistance would be efforts to generate new and better ways of accomplishing given objectives. Possible activities which would rate high here would be ones which would provide relief for a specific fund which could then be used to increase bonding capacity, or to assume the debt service for such capital endeavors as parking lot construction in order to free the bondable capital for use in a similar endeavor elsewhere.

Buy-In to Other Programs. By funding projects in this area, does the city exert influence over programs that it needs in

order to improve the overall level of services? For example, if law enforcement is a problem, and city police-county sheriff cooperation is imperative to its solution, and a feasible way of obtaining such cooperation is by creating joint records, radio, and dispatch operations, then the funding of such operations should take on a high priority.

Some thought should be given to an overall approach to other governments within the sphere of influence of the local governments regarding the complimentary use of revenue sharing funds. If traffic flow is a problem common to several municipalities and a portion of the county area, then some effort could be made to jointly fund compatible and complementary activities within each community to provide for an aggregate effect of curing the problem.

Speed of Implementation. Clearly it is advantageous to "get the show on the road". The interim regulations require that the revenue sharing funds from each entitlement period should be put to their appropriate use within 24 months from the date of receipt of each check. While it is possible to obtain a Treasury Department extension, it stands to reason that activities which show the promise of quick action should receive some priority considerations.

ADMINISTRATIVE AND PROCEDURAL CONSIDERATIONS IN REVENUE SHARING

City and county managers, finance directors, and other local officials should be cognizant of the data base for allocation of revenue sharing funds, the potential for intergovernmental fiscal efforts, the status of regulations to be issued by the Treasury Department, and the effects of boundary changes. These are discussed in the following sections:

The Data Base. Be aware that the figures used to prepare the Senate-House Conference report on revenue sharing are very "soft." This document has served as the basic information source on the amount of money each city, township, or county government will receive.

First, the tax data used were based on the 1967 Census of Governments which of course reflected 1966 taxing rates. For most local governments their tax effort picture has changed considerably since then.

Second, the per capita income data are based on the 1970 census. However, this information was derived from the 20% survey sample. While such a sample may adequately reflect the income in a community with a large population, it may not be adequately reflective for small city per capita incomes.

To cure these deficiencies the Treasury Department has commissioned the Census Bureau to update the governmental revenue effort statistics being used. The Census Bureau has done this by relying primarily on 3 sources of data:

1. All cities, counties, and townships over 25,000 population are annually sampled for their revenue effort. Census Bureau Form F-21, F-50, or F-28, "Survey of Municipal Finances," annually requests these local governments to report their revenue, or in lieu of that, to send the Census an audit report from which the Census Bureau can retrieve the necessary data. In the case of the very large cities, Census Bureau personnel visit the city to assist in compilation of the data.
2. In July 1972 the Census Bureau sent reporting forms to all local governments not covered by their annual "Survey of Municipal Finances." These forms, RS-1 for units of municipal government under 2,500, RS-2 for county governments, and RS-3 for municipal units over 2,500, should have been returned to the Census by this date.
3. In some states, the state comptroller's office also provides within-state revenue effort breakdowns. In those instances the Census has had these figures to rely on as well.

Between May and October of 1972 the Census sent its 1972 Census of Governments survey form to each of the 38,000 units of general-purpose local government. While the data this form provides will not affect the first 2 entitlement period checks, it will form part of the data base for all remaining entitlement calculations and will be annually updated, in whole or in part. Local managers should, therefore, make sure this Census survey form is filled in properly and returned promptly.

A Treasury Department-Internal Revenue Service effort is being made to improve the 1970 income estimates. It is anticipated that this will be done by adding the necessary columns to the Personal Income Tax Form 1040 so that the individual citizens can indicate the city or township, and county in which he resides on that form.

If this is done, it will behoove local officials to make sure their citizens know the name of the city and county in which they in fact live. American family mobility and suburban sprawl has so obscured the lines among separate corporate jurisdictions and the "real city" in which people think they live and function that a notice reminding them where they live, which is included in their utility bill or some other form, would not at all be out of order. Not knowing where you live is particularly common among renters in metropolitan areas.

Trust Fund. The law requires that a separate trust fund be established to account for the revenue sharing funds. This requires the establishment of separate account with separate entries for receipt and disbursement of these funds.

The law does not require that a separate bank deposit be established. The commingling of revenue sharing funds with other municipal funds is permissible. However, there must be a separable accounting process so that an audit trail as to the use of these funds can be established.

Further these funds can be invested in interest-bearing accounts. However, the interest accrued must also be credited to the revenue sharing trust account and disbursed for the same purposes as the revenue sharing funds themselves.

Intergovernmental Fiscal Relationships. Revenue sharing marks a major alteration in the intergovernmental fiscal relationships between the national government and state and local governments in that it returns to the localities portions of

the nationally collected income tax revenues to be utilized for local purposes with great local discretion.

Likewise, it could herald a new era of greatly enhanced fiscal interrelationships between local governmental units, and between the states and local units.

One of the factors suggested for consideration in developing your expenditure plan was the ability that revenue sharing affords to "buy-in" to collaborative efforts with other governments.

The advent of revenue sharing also provides another opportunity – that of improving the dialogue as to what uses the "taxpayers money" will be applied among various governments. It would seem logical that since the residents of one city are also residents of the county and of the state, local government managers have an opportunity, if not a responsibility, to engage in discussions with their "other" governmental counterparts regarding the complementary use of their share of the revenue sharing funds.

Ideally this type of discussion regarding who does what, and what you should be doing together, should be taking place anyway as part of the normal budget process. However, in many communities this is, unfortunately, not the case. In those communities, the development of the revenue sharing expenditure plans provides the opportunity for this process to begin.

Regulations. Interim regulations covering the check for the first entitlement period, January 1, 1972 to June 30, 1972, have been issued and sent to each city and county directly. As of the date this MIS report went to press, it was uncertain if these regulations would be limited to only the first entitlement period or extended to cover all of calendar 1972. As of our printing date the extension of the temporary regulations to cover the July 1-December 31, 1972, period as well as the January 1-June 30, 1972, period seemed quite likely.

Permanent regulations are hoped for by December or January. The Treasury Department has solicited comments on their temporary regulations, and presumably these comments will be reflected in the permanent regulations. Beyond those changes, the only other major item which the permanent regulations will contain, which the temporary regulations did not, is the details regarding the filing of an expenditure plan for the funds to be allocated after December 31, 1972. Remember, under normal circumstances for the first 2 checks the local governments will only have to file a report after the fact on how funds received for the entitlement periods of January 1, 1972, to June 30, 1972, and July 1, 1972, to December 31, 1972, were actually used. The report for the first period is due by March 1, 1974, and is subject to the publication requirements discussed earlier.

In order to spend the funds received for entitlement periods falling after December 31, 1972, however, the law requires that the local governments will have to provide Treasury with a plan as to how the governmental unit plans to utilize the revenue sharing funds in advance of the expenditures. It is the provision regarding the submission requirements of this plan which the permanent regulations will contain.

Boundary Changes. Provision to deal with boundary changes or governmental reorganizations which occurred prior to January 1, 1972, but were not reflected in the first allocations, are contained in the interim regulations. Under most circumstances the only communities which need to be concerned about these provisions are the ones which have experienced a major change since the 1967 Census of Governments.

If after receipt of the first entitlement allocation it is concluded that an error has been made, the local government will have until June 30, 1973, to bring to the attention of the Treasury the boundary change or governmental reorganization which occurred prior to January 1, 1972, and the first allocation of funds will be adjusted. However, under normal circumstances annexation of areas of 5,000 population or less, prior to annexation, or whose population is less than 5% of the population of the gaining government have been ruled to have no consequence or impact on the first entitlement period.

The permanent regulations will contain the provision governing annexations occurring after January 1, 1972, and future population adjustments within the 5-year life of this revenue sharing measure.

SHAPING THE FUTURE OF REVENUE SHARING

It has been suggested throughout this report that the revenue sharing bill was born of a combination of factors which included the fiscal calamity facing many cities and the political imperatives which faced Congress and the administration. Unlike most legislation whose use and effectiveness is clearly anticipated (even if those anticipations may prove to be incorrect) revenue sharing is in large measure a concept whose continuance will heavily depend on how effectively local governments make use of these funds.

Will revenue sharing prove to be the fair redistributor of the public tax resources, as the wise men and economists who conjured up the notion had hoped? And with these resources will the states and local governments conjure solutions to local maladies which have presumably escaped resolution through the categorical grant system? And will the people of America harkening to their ethic regarding local governments now begin to fashion the balance between those of life's necessities which should be satisfied collectively through government, and those which will be left for individuals to realize through barter?

The answers to all of these questions are most unclear. What is clear is the future of revenue sharing as a concept of financing government will depend greatly on how these questions are addressed. In a very real way local government officials by their actions not only have an opportunity to affect their own role in the intergovernmental system but the future of the financial system which will support that role as well. If local officials are to shape the future with a skill commensurate to their task, then it seems most desirable for local executives to be aware of, and be prepared to deal with,

certain inescapable facts and issues which surround the growth of the revenue sharing measure.

What Congress Thinks. Ever since Franklin Roosevelt significantly involved the national government in grants and other direct local assistance, we have had federal programs of assistance for cities, individuals, and state and county governments which were categorically oriented – e.g., they had a specific, defined scope or purpose, some sort of goals or stated objectives (although rarely stated or related realistically to the dollar input), and recognition of a problem which was national in nature.

To obtain the general revenue sharing measure it was necessary to introduce to the Congress the thought that they should give states and local governments money without having any specific intent of national purpose associated with the legislation. This was contrary to their past practice.

The inescapable reverse of this issue was Congressional apprehension of state and local government's ability to manage money. The Congress, like many people, reflects a cynical attitude regarding the capacity of all governments to manage money intelligently.

The Congressional process is one of annual appropriations. Revenue sharing, however, requires that money must be committed for more than 1 year at a time. Such a measure is, therefore, contrary to past Congressional procedure and contrary to the notion that 1 Congress should not bind future congresses.

A major segment of the members of Congress consider "revenue sharing" to be deficit sharing. The rationale for this is simple. National expenditures have consistently outpaced national revenues for several decades. While it is true that there is considerable room to debate the priorities and merits of many national budget expenditures, the unavoidable fact is that many of the fiscal conservatives in Congress were joined by many "liberals" in questioning the wisdom of increasing federal outlays to state and local governments through a new revenue outlay measure. This attitude is summarized by one of the conclusions of the American Enterprise Institute for Public Policy Research in its Domestic Affairs Study on *Nixon, McGovern and the Federal Budget:*

> The Federal government is apparently in the process of impoverishing itself while putting the states and local governments as a group in a position of relative fiscal affluence. The combination of sharply higher federal aid through revenue sharing and other programs and reduced pressures for spending as school enrollments slow down or even fall and population grows more slowly looks as if it may put the state and local government sector in a position to sharply reduce revenue growth, or increase spending, or both. At the same time, individual state and local government units may still face a fiscal squeeze reflecting loss of population and industry, taxes for school equalization, et cetera.

Congress recognizes that local governments in the aggregate have a need for additional revenues. It also recognizes that the state governments, in the aggregate, do not have a need. There are extremes in both cases, of course. The state of New York, for example, is reputed to be facing a fiscal crisis, and cannot increase taxes further without driving people, business, and industry to neighboring states. On the other hand, it can be argued that some local governments truthfully do not need revenue sharing. However, the political pressure from those local governments who were fiscally disparate seemed to be compelling. Further, it was politically expedient to have a state and local government coalition advocating passage of this measure.

The view that Congress wanted to share the federal income tax as the most equitable of the taxing sources – the rationale provided by some of the original proponents – was in fact not that prevalent. The closest attitude approaching this was that expressed by some Congressmen who rationalized that some of the small cities and towns in their district which, under normal categorical grant competitive circumstances, could not put together the resources necessary to apply and succeed in the categorical system, would under the revenue sharing program be given at least some equitable share of federal assistance.

In short, from a Congressional viewpoint, revenue sharing is both the awkward and in some ways the unwanted child, born of political and fiscal necessity.

The Administration View. It can be stated without qualification that without the support and leadership of President Richard Nixon there would not have been a revenue sharing measure passed this year.

There are several reasons for his support, but central to that support is a personal and philosophical subscription to the idea that local governments can and should be trusted and relied on to meet the needs of the people.

Other reasons also include a generally negative bias toward much of the centralized in-Washington efforts which attempt to provide national solutions to national problems. It is suggested that a third and perhaps perverse reason for administration support for general revenue sharing is the alleged ability this measure affords to the administration to curtail the federal dollar support for many categorical programs of local grants-in-aid which, in the aggregate, could reduce the total federal expenditure for state and local government program support. This direct correlation between revenue sharing and other domestic program outlays, however, has at this point not been established.

In short, whatever other motives the administration may have had in supporting revenue sharing, it is clear that they place a high degree of reliance in state and local governments to utilize the funds with credibility and effectiveness.

The Professional Manager's View. Over the life of the revenue sharing debate the profession's rhetoric has centered around such issues as bringing decision making to the local level, the lack of power and resources at the local level, and in short the

desire to have the money to spend to meet the pending "urban crisis."

The local professional position has been that given this flexible resource there could be a quantum leap forward in terms of the quantity and quality of local government and the amount of innovation that could be shown both in bridging gaps between categorical aid programs and in developing new and presumably better approaches to resolving some continuing problems.

In the final year of the revenue sharing debate, this logic gave way to some extent to the position of fiscal urgency in which some cities found themselves. However, to the degree that local governments did not find themselves in fiscal crisis, the rhetoric of the urban professionals remained the same.

Using Revenue Sharing To Cut Taxes. In some communities the political impulse to use revenue sharing funds to cut the property tax could be very strong. President Nixon mentioned the possibility of this use of these funds at the bill signing ceremony in Philadelphia. In the final analysis there is no substitute for local judgment on this issue. However, there are some considerations which should be taken into account before the decision is made to use revenue sharing funds in this manner.

There can be no question that property tax levies have reached extremely high levels in some communities, and the burden the property tax imposes on the fixed income of many elderly Americans is scandalous. It is clear that in many communities a property tax cut is desirable. But there are other factors which impact upon property taxes beyond that of the municipality, and these alternative remedies to property tax relief should be explored.

One of the heaviest property tax users is the educational system. In terms of national revenue measures to provide local tax relief, the value-added tax which was explored by President Nixon would have provided some $12 to $18 billion in federal aid to education, and would have had the estimated result of reducing the property tax burden by half. During the recent presidential campaign Senator McGovern also proposed a program of property tax relief which included provisions to provide some $15 billion in assistance to school districts for educational costs, and concomitant property tax relief.

Since both political parties seem to recognize and favor property tax relief through removing education costs from the property tax roll, this possibility should be pursued and encouraged.

Still on the education issue, you should be aware that the California Supreme Court decision of *Serrano* v. *Priest* requires that state's legislature to modify their existing school financing structure so that the ability of a school district to provide an educational program does not depend solely on its own wealth. This decision should have a positive effect on property taxes.

While this case has yet to reach the U.S. Supreme Court, it at least in terms of philosophy is a landmark in that it calls for major reform in school finances. Ultimately it will require additional expenditures for education in most states.

It has been suggested that the states in the aggregate did not share the financial plight of the cities. One of the factual tables presented during the revenue sharing hearings in the House of Representatives bore this out by showing that if all of the state and local governments in the country applied the same tax effort as the 10 highest states and local governments, the increase in state and local revenue would be some $18 billion. The data further showed that the chronic low taxers were the states.

A recent study by the Tax Foundation reported that unlike local revenue efforts which, according to the Bureau of Census reports on *City Government Finances*, have been increasing by approximately 10% each year over the past several years, the state tax hike this year amounted to less than 2% of the 1972 state tax collection of $51.5 billion, in sharp contrast to the $5.03 billion, 10% boost enacted in 1971.

This cautious state performance is attributable to several factors, including the fact that this is an election year. The key point, however, is that state taxing performance fell far below early spring expectations when a Tax Foundation survey found that tax measures then under consideration amounted to $7 billion annually in new state tax yields. Most of these proposed new funds were seen as part of the new system of public school finance which would shift a large share of the educational tax burden from the local property tax to the state taxing resources, and would remove the intrastate disparities in funds for education. In short, some lightening of the property tax burden for education should be forthcoming either through a national program of education assistance or as a result of new state measures; and local governments could work to that end.

For the past 4 years the administration has sought comprehensive reform of the national welfare system. The key to these reforms would be federal assumption of welfare costs. This year Congress enacted a portion of the reform measures by authorizing the federal assumption of the costs of welfare for the aged, blind, and disabled.

This $4.4 billion measure which becomes effective January 1, 1974, will provide an additional $1.8 billion in direct budgetary relief to states and county governments beyond the current levels of support for these welfare puuposes.

In most states the county governments share in the utilization of the property tax. To the degree that welfare reform reduces this expenditure demand, counties will be considering countervailing reductions in their property tax demands.

As a recent report regarding optional uses of revenue sharing funds prepared by the legislative analyst of the state of California showed, county governments in that state rely very heavily on the property tax to finance the county's share of the welfare program. That same report also indicated that in 1970-1971 the disparities between the amount of property tax effort put forth to fund the county's share of the welfare program ranged from 21.4 cents in Calusa County to 30.2

cents in Orange County, 94.5 cents in Los Angeles County, $1.06 in King County, to a high of $1.47 in Yuba County.

That same California analysis indicated that within that state, the division of the two-thirds of the state's total revenue sharing which is to be apportioned among local governments on the basis of adjusted tax effort would be 62% to the county governments and 38% to the city governments. This abnormally high county share is attributable in large measure to high county welfare costs.

While the magnitude of property taxes used for welfare costs may be high in California, the practice of using this tax source for this purpose is not unique to that state.

State and/or federal assumption of welfare costs would not only eliminate this disparity but in each instance would provide some degree of property tax relief. Public Law 92-603 which provides for the federal assumption of the welfare costs for the aged, blind, and disabled is a step in that direction.

It is frequently suggested that the most compelling reason for not using revenue sharing funds to reduce city tax rates is because such actions would ultimately reduce the city's revenue sharing yield from future entitlement periods, which of course is based partially on adjusted tax effort.

While this statement is indeed valid, the fact is that the amount of the decrease in future revenues to be shared is close to impossible to compute. The reasons for this are several. First, the actual amount shared in one entitlement period is computed on *relative* tax effort: first among the states, then among the county areas within the state, then the cities and townships vs. the county, in terms of gross adjusted taxes collected, and finally among the cities on the basis of adjusted tax effort times the relative per capita income of each community. If 1 municipality were to reduce its tax effort, and all state and local government tax efforts throughout the nation remained the same, then the effect of the reduction on the municipality could possibly be computed. However, the national tax situation is far from static, making precision estimating next to impossible.

The only guide which can be provided is: under normal circumstances, if a city's population in terms of per capita income decreases and/or if the city's tax effort increases, then its revenue sharing entitlement should increase. Conversely, cutting taxes should lead to a decrease in revenue sharing funds relative to what the city could have received.

Appendix A

PROVISIONS OF STATE AND LOCAL FISCAL ASSISTANCE ACT OF 1972

STATE DISTRIBUTION FORMULA

The amount allocated to a state (and its local governments) is determined by one of two formulas, whichever is higher:

Five-Factored Formula – Taken from the House version of the act, the distribution of funds among states is computed on the basis of the following factors and approximate weights:

- Population 22%
- Urbanized population (cities of 50,000 population or more and their surrounding metropolitan areas . . 22%
- Relative per capita income (population multiplied by the ratio of per capita income in the U.S. to the per capita income in a state 22%
- State income tax collection 17%
- State and local general tax effort 17%

Three-Factored Formula – Taken from the Senate version of the act, the formula is based upon:

- Population.
- State and local tax effort.
- The inverse per capita income (poverty factor).

ESTIMATED DISTRIBUTION OF FUNDS TO STATES UNDER HOUSE BILL, SENATE BILL, AND CONFERENCE AGREEMENT FOR CALENDAR 1972
(millions of dollars)

			Conference agreement			
State	House bill	Senate bill[1]	Before scaling to 5.3 billion	After scaling to 5.3 billion	State share[4]	Local share[5]
United States, total	5,300.0	5,300.0	5,821.1	5,303.9	1,767.8	3,536.1
Alabama	80.2	127.6	127.6	116.1	38.7	77.4
Alaska	6.6	5.5	5.5[2]	6.3[3]	2.1	4.2
Arizona	46.1	55.1	55.1	50.2	16.7	33.5
Arkansas	38.3	60.4	60.4	55.0	18.3	36.7
California	610.8	510.4	610.8	556.1	185.4	370.7
Colorado	59.4	60.0	60.0	54.6	18.2	36.4
Connecticut	72.6	57.5	72.6	66.2	22.1	44.1
Delaware	17.3	12.9	17.3	15.8	5.3	10.5
District of Columbia	26.0	14.1	26.0	23.6	7.9	15.7
Florida	150.0	160.3	160.3	146.0	48.7	97.3
Georgia	103.4	120.7	120.7	109.9	36.6	73.3
Hawaii	25.9	22.7	22.7[2]	23.8[3]	7.9	15.9
Idaho	15.4	21.8	21.8	19.9	6.7	13.2
Illinois	301.8	250.9	301.8	274.7	91.5	183.2
Indiana	113.8	114.6	114.6	104.3	34.8	69.5
Iowa	67.8	84.6	84.6	77.0	25.6	51.4
Kansas	47.7	58.0	58.0	52.8	17.6	35.2
Kentucky	71.8	95.9	95.9	87.3	29.1	58.2
Louisiana	83.2	124.8	124.8	113.6	37.9	75.7
Maine	19.9	34.2	34.2	31.1	10.3	20.8
Maryland	117.5	94.8	117.5	107.0	35.7	71.3
Massachusetts	179.0	143.5	179.0	163.0	44.3	118.7
Michigan	243.7	210.9	243.7	221.9	74.0	147.9

continued

State	House bill	Senate bill[1]	Conference agreement: Before scaling to 5.3 billion	After scaling to 5.3 billion	State share[4]	Local share[5]
Minnesota	114.1	108.2	114.1	103.9	34.6	69.3
Mississippi	46.0	99.6	99.6	90.7	30.2	60.5
Missouri	107.6	108.5	108.5	98.8	33.0	65.8
Montana	16.7	22.6	22.6	20.6	6.9	13.7
Nebraska	34.5	47.1	47.1	42.9	14.3	28.6
Nevada	12.2	11.9	12.2	11.1	3.7	7.4
New Hampshire	13.5	16.7	16.7	15.2	5.1	10.1
New Jersey	179.7	142.6	179.7	163.6	54.5	109.1
New Mexico	22.5	36.5	36.5	33.2	11.0	22.2
New York	649.6	507.1	649.6	591.4	197.1	394.3
North Carolina	113.0	148.8	148.8	135.5	45.2	90.3
North Dakota	12.0	21.7	21.7	19.7	6.5	13.2
Ohio	227.4	185.4	227.4	207.0	69.0	138.0
Oklahoma	52.9	65.3	65.3	59.4	19.8	39.6
Oregon	60.1	61.8	61.8	56.2	18.7	37.5
Pennsylvania	300.9	290 2	300.9	274.0	91.3	182.7
Rhode Island	25.9	23.1	25.9	23.6	7.9	15.7
South Carolina	57.9	89.5	89.5	81.5	27.2	54.3
South Dakota	13.5	27.6	27.6	25.1	8.4	16.7
Tennessee	79.3	108.1	108.1	98.4	32.8	65.6
Texas	248.3	268.6	268.6	244.5	81.5	163.0
Utah	29.0	34.5	34.5	31.4	10.5	20.9
Vermont	11.0	16.3	16.3	14.8	4.9	9.9
Virginia	115.6	109.7	115.6	105.2	35.0	70.2
Washington	79.1	92.3	92.3	84.1	28.1	56.0
West Virginia	36.4	57.5	57.5	52.3	17.4	34.9
Wisconsin	137.0	147.1	147.1	133.9	44.6	89.3
Wyoming	6.1	10.7	10.7	9.7	3.2	6.5

[1] Excluding social service grant.
[2] Before adjustment for noncontiguous states.
[3] After adjustment for noncontiguous states.
[4] 1/3 to state governments and 2/3 to local governments.
[5] Local share includes amounts redistributed to the states because of limitation.
Note: Details may not add to totals because of rounding.
Source: Joint Committee on Internal Revenue Taxation.

Each state share is determined by its population multiplied by its tax effort as well as its inverse per capita income. The tax effort of each state is measured by the ratio of its total net tax collections (including taxes for education) to total personal income in the state. Relative per capita income is measured by the ratio of the national per capita income to that state's per capita income.

Thirty-five states would receive higher allocations under the Senate's three-factored formula and will receive their allocations based on it. The remaining 15 states and the District of Columbia will receive revenue sharing funds under the House's five-factored formula.

The new law also contains a special provision which provides a percentage increase in revenue sharing funds if federal civilian employees in a state are entitled to a cost of living bonus. This applies only to Alaska and Hawaii and increases Alaska's share from $5.5 million to $6.3 million and Hawaii's from $22.7 million to $23.8 million for the first year.

By using either the Senate or House allocation figure for a particular state (whichever is higher), the national revenue

sharing total allocation is $5.821 billion. Since the Senate and House conferees decided that the revenue sharing funds should be limited to $5.3 billion in the first year, all allocations for calendar year 1972 are scaled back 9 per cent. [See state-by-state distribution comparison.]

APPROPRIATIONS (ENTITLEMENT PERIODS)

The total $30.2 billion contained in the act is appropriated like this:

Jan. 1-June 30, 1972	$ 2.650 billion
July 1-Dec. 31, 1972	$ 2.650 billion
Jan. 1-June 30, 1973	$ 2.987 billion
Fiscal Year 1974	$ 6.050 billion
Fiscal Year 1975	$ 6.200 billion
Fiscal Year 1976	$ 6.350 billion
July-Dec. 31, 1976	$ 3.325 billion
Total	$30.212 billion

(Additional funds are appropriated for the States of Alaska and Hawaii to provide for the special provisions indicated above.)

STATE GOVERNMENT SHARE

Each state government will receive one-third of the state's revenue sharing allocation. Local units of government will receive the remaining two-thirds.

LOCAL SHARE DISTRIBUTION

Funds for local governments under the two-thirds share will be distributed under the following formula:

County Area Distribution – Within a state, distribution to the county areas (which includes all county, municipal, and township governments within a county) is made on the basis of population multiplied by adjusted tax effort and inverse per capita income. The adjusted tax effort of each county area is measured by the ratio of its total net adjusted tax collections to the total income of the residents of a county area. Relative per capita income is measured by the ratio of the state's per capita income to the county-area per capita income.

Division of Funds Among County, Municipal, and Township Governments – The amount distributed to the county area is divided between the county government and the aggregate of eligible municipal governments and the aggregate of eligible township governments (if any) within a county on the basis of locally-raised adjusted taxes of each.

For example, if the total adjusted taxes raised in a county were $1 million, of which the county government had raised $300,000, the county government would receive 30 per cent of the money allocated to the county area. If townships exist within the county area, the allocation to the county area would be split between (a) county government, (b) municipal governments, and (c) township governments on the basis of locally-raised adjusted taxes of each.

Division of Funds Among Cities and Township – Funds allocated to all municipalities within a county area are divided among individual municipalities on the basis of the jurisdiction's population multiplied by its adjusted tax effort and relative per capita income. The adjusted tax effort of each municipality is measured by the ratio of its total net adjusted tax collections to the total income of its residents. Relative per capita income is measured by the ratio of the per capita income of all the municipalities within a county area to an individual municipality's per capita income.

If townships exist within a county area, division of the township's share of funds among townships is determined in a manner identical to the division of funds among municipalities.

50 Per Cent Limitation – Revenue sharing payments to any local government may not exceed 50 per cent of the sum of a government's adjusted taxes and intergovernmental transfers of revenue during the immediate preceding fiscal year. A county government entitlement in excess of this limitation is to go back to its state government. Other local government entitlements in excess of this limitation are to go to the county government in which that government is located. If these funds should be in excess of that county government's entitlement, then they will be returned to the state government.

20 Per Cent Minimum-145 Per Cent Maximum – In no event can any unit of government within a state receive an amount, on a per capita basis, which is less than 20 per cent of the average per capita allocation to the local governments of the state as a whole (unless that exceeds 50 per cent of its budget – see the point above). Also, no unit of government within any state can receive more than 145 per cent of the average per capita allocation to the local governments of the state as a whole.

Indian Tribes or Alaskan Native Villages – If Indian tribes or Alaskan native villages in a county area perform substantial governmental functions, they will receive the proportion of the county area's allocation that the ratio of the tribes' or native villages' population bears to the county area's population.

Alternative Intrastate Distribution Formula – Under the act, the state government has the flexibility to adopt an alternative intrastate distribution formula which is essentially based on two factors:

- Population multiplied by tax effort, and
- Population multiplied by inverse ratio of per capita income.

The state legislature may assign each factor equal weight or may give each factor any value between zero and 100 per cent. Each state is limited to one formula change during the five-year period of the revenue sharing program. The state must notify the Treasury if it wishes to use an alternative formula not later than 30 days before the beginning of the first entitlement period to which such a new formula would apply.

$200 Limitation and Waiver of Funds – If any local government's entitlement is less than $200 or if the local government waives receipt of revenue sharing funds, the funds are reallocated to the county government.
Adjusted Taxes (Definition) – The adjusted taxes of any unit of government include the compulsory contributions exacted by such government for public purposes as the contributions are defined by the Bureau of the Census for general statistical purposes. This excludes an amount equal to that proportion of compulsory contributions which is properly allocable to expenses for education.
Special Definition on Sales Taxes Collected by Counties – In any case where a county government exacts a sales tax within a municipality and transfers part or all of it to the municipality without specifying its use and the governor of the state so notifies the Secretary of the Treasury, then the taxes so transferred shall be treated as the taxes of the municipality and *not* as the taxes of the county government.
Urbanized Population – Urbanized population means the population of any area consisting of a central city of 50,000 or more inhabitants which is treated as an urbanized area by the Bureau of the Census for general statistical purposes.

HIGH-PRIORITY EXPENDITURE CATEGORIES

Funds distributed to local governments must be used for expenditures that are ordinary and necessary. All capital expenditures with revenue sharing funds are limited to those which are authorized by state and local laws. Operating and maintenance expenditures under revenue sharing funds must be spent within the following categories:

- Public Safety (including police and fire protection and building inspection).
- Environmental Protection (including sewage disposal, garbage collection, and pollution abatement).
- Public Transportation (including transit systems and streets).
- Health.
- Recreation.
- Social Services for the Poor and Aged.
- Financial Administration.
- Libraries.

Funds allocated to local governments may *not* be used for matching federal grant-in-aid programs.

The Secretary of the Treasury is authorized to accept a certification by a local government official that the revenue sharing funds were used only for high-priority expenditures and that they were not used for matching federal categorical grant-in-aid programs. The Secretary is to rely upon the local certification unless it is thought to be insufficiently reliable.

NONDISCRIMINATION PROVISION

Local governments are prohibited from discrimination because of race, color, sex, or national origin in the use of any of the revenue sharing funds.

REPORTS AND PUBLICATION ON USE OF FUNDS

Each state and local government receiving revenue sharing funds shall, after Jan. 1, 1973, submit a report to the Secretary of the Treasury which details how the governmental unit plans to utilize the revenue sharing funds. At the end of each fiscal year the governmental unit also shall report to the Treasury on how the monies have been spent. Both reports must be published in the local newspapers.

ASSURANCES TO THE TREASURY

Each state and local government must establish to the satisfaction of the Treasury (and, in the case of a local government, for review and comment by the Governor) that:

- It will establish a trust fund in which it will deposit all revenue sharing payments.
- It will use revenue sharing funds (and interest earned thereon) during such reasonable periods which are provided for in regulations.
- In the case of local governments, they will spend the funds only for high-priority categories and will repay an amount equal to 110 per cent of any amount spent in violation of the high-priority categories provision.
- It will provide for the expenditure of revenue sharing funds only in accordance with the laws and procedures applicable to the expenditure of its own revenues.
- It will use fiscal, accounting, and auditing procedures which conform to guidelines established by the Secretary of the Treasury (in consultation with the Comptroller General).
- It will provide the Secretary of the Treasury or the Comptroller reasonable access to all papers, records, books, documents, etc.
- It will make other annual and interim reports that the Secretary of the Treasury may reasonably require.
- Employees must be paid wages that are not lower than the prevailing wage paid other employees in similar occupations by the jurisdiction.
- In any construction project which is financed by 25 per cent of revenue sharing funds, all employees of contractors or subcontractors shall be paid wages as determined by the Secretary of Labor in accordance with the Davis-Bacon Act as amended.

STATE MAINTENANCE OF EFFORT PROVISION

The entitlement of any state government shall be reduced by the amount (if any) which the average of the aggregate amounts transferred by the state government (out of its own resources) during such period in the preceding entitlement period to all its units of local government is less than the similar aggregate amount for the one-year period beginning July 1, 1971.

DISTRICT OF COLUMBIA COMMUTER TAXES

For all monies that the District of Columbia raises through a "commuter tax," its revenue sharing allocation will be

decreased by an equal amount. This provision is to apply only if reciprocal agreements by neighboring states are not adopted or if Congress passes a law imposing a tax upon commuters in the District of Columbia.

"PIGGYBACK" PROVISION

The "piggyback" provision provides for federal administration and collection of state individual income taxes in those cases where the states request the service. The provision permits changes in the qualified state tax before Nov. 1 of a calendar year. The federal collection procedure will begin when one or more states, having residents who in the aggregate filed 5 per cent or more of the federal individual income tax returns filed during 1972, elect to "piggyback" on the federal income tax.

SOCIAL SERVICES

Senate and House conferees placed a ceiling of $2.5 billion on social services funding retroactive to July 1, 1972 (fiscal year 1973). This is not an appropriation but an authorization which will require annual action by the Appropriations Committees. Such funds appropriated will be distributed to each state on the basis of population and require a 25 per cent local match Local governments which have never been direct recipients of social services money could receive such monies through their state. States may opt to spend any or all of the funds on the retarded, child care, narcotic treatment, alcoholic treatment, foster home care, and family planning but are required to spend 90 per cent of the balance (if any) on applicants or recipients of welfare. This latter provision was designed to eliminate the alleged abuses of community services organizations receiving social services funds for other than welfare recipients.

Source: Prepared by Richard Thompson, formerly with the Congressional Relations staff, National League of Cities, and currently president, Revenue Sharing Advisory Service, Inc. Reprinted with permission from *Nation's Cities Magazine*, October 1972.

Appendix B

QUESTIONS AND ANSWERS ON REVENUE SHARING

Q: How much revenue sharing money will be paid out in the first check? All the year's funds, or the first half or first three quarters?

A: The first checks, to be mailed as soon as practicable, will represent approximately one-half of the calendar year 1972 payment of $5.3 billion.

The second checks, in early January will distribute the remainder of the 1972 payment.

Q: In successive years, how often will revenue sharing checks be mailed?

A: On a quarterly basis.

Q: How will the Treasury Department identify the funds allocated to revenue sharing?

A: Revenue sharing funds taken out of the Treasury's General Fund will be kept in a special trust fund specifically established on the books of the Treasury of the United States as the "State and Local Government Fiscal Assistance Trust Fund'"

State and local governments are also required to establish trust funds for the deposit of revenue sharing monies.

Q: Does the Act allow co-mingling of revenue sharing money with other income of a given state, county, city, or town?

A: For investment purposes, yes.

For spending purposes, the monies must be disbursed from a special trust fund.

Q: Where is the money coming from?

A: The General Fund of the U.S. Government.

However, in effect, a portion of each American's individual income tax payments will be returned to his own state and locality by revenue sharing.

Q: Will any programs be terminated because general revenue sharing has begun?

A: No.

Revenue sharing does not mandate any cuts in existing programs. The purpose of the revenue sharing law is to allocate additional funds to state and local governments to augment existing programs and aid certain capital expenditures.

Executive agencies, as in the past, will evaluate other programs on their respective merits.

Q: If the spending ceiling had been adopted, could the President have cut revenue sharing?

A: Yes.

However, revenue sharing is of such high priority in the President's efforts to create a new federalism – returning funds to the governments closest to the people – that his top

officials have pledged that revenue sharing will be fully paid out as prescribed in the legislation.

Q: How do you determine the amount of revenue sharing funds that will be sent to each state?

A: A state will have its funds (entitlement) computed on the basis of two formulas: a "3-factor formula" (Senate bill formula) and a "5-factor formula" (House bill formula). Computers will then take both formulas into account for each state and select the higher amount.

Q: What is the "3-factor formula" (Senate bill formula) for computing revenue sharing?

A: Each state's share =

$$\$5.3 \text{ billion} \times \frac{\text{(population) (GTEF)* (RIF)** of a state}}{\text{sum of products of (pop.) (GTEF) (RIF) of all the states}}$$

$$\text{*GTEF} = \text{General Tax Effort Factor} = \frac{\text{net taxes collected (state and local)}}{\text{aggregate personal income}}$$

$$\text{**RIF} = \text{Relative Income Factor} = \frac{\text{per capita income of U.S.}}{\text{per capita income of that state}}$$

Q: What is the 5-factor formula (House bill formula) for computing revenue sharing?

A: The 5-factor formula divides the total revenue sharing fund of $5.3 billion (for 1972) into five parts and each part is determined on the basis of a different factor, as shown below:

1) 1/3 of $3.5 billion	ON	1. Population
2) 1/3 of $3.5 billion	BASIS	2. Urbanized population
3) 1/3 of $3.5 billion	OF	3. Population weighted inversely for per capita income
4) 1/2 of $1.8 billion		4. Income tax collections
5) 1/2 of $1.8 billion		5. General tax effort

The state's share of each part is determined, as follows:

First part: each state's share = 1/3 ($3.5 billion) x

$$\frac{\text{population of state}}{\text{population of all states}}$$

Second part: each state's share = 1/3 ($3.5 billion) x

$$\frac{\text{urban population of state}}{\text{urban population of all states}}$$

Third part: each state's share equals 1/3 of $3.5 billion on the basis of population inversely weighted for per capita income

More specifically:

Each state's share = 1/3 ($3.5 billion) x the fraction of

$$\frac{\dfrac{\text{(state pop.) x (national per capita income)}}{\text{(state per capita income)}}}{\dfrac{\text{sum of products of (state pop.) (natl per capita income)}}{\text{(state per capita income of all states)}}}$$

Fourth part: each state's share = 1/2 ($1.8 billion) x

$$\frac{\text{state income tax}}{\text{all income tax}}$$

Fifth part: each state's share = 1/2 ($1.8 billion) x

$$\frac{\text{general tax effort of state}}{\text{general tax effort of all states}}$$

Q: How is a state's share of revenue sharing divided between the state government and local governments?

A: One-third of the total state funds go to the state government while two-thirds are allocated to units of local government.

Q: How are funds for local governments within each county area determined?

A: As follows:

1) County Area. The 3-factor formula method is used:

County area's share = 2/3 (state share) x

$$\frac{\text{county population (GTEF)* (RIF)**}}{\text{sum of products of (Pop.) (GTEF) (RIF) for all counties}}$$

*GTEF = General Tax Effort Factor
**RIF = Relative Income Factor

2) Share for Indians in county = total county area share x

$$\frac{\text{Indian population}}{\text{county population}}$$

3) County government's share = remaining total times the fraction

$$\frac{\text{adjusted taxes of county government}}{\text{aggregate adjusted taxes of all local government units in county, including county government}}$$

4) gross amount to be divided among the cities and townships within the county = remaining total times the fraction

$$\frac{\text{sum of all adjusted taxes of such city and township governments}}{\text{aggregate adjusted taxes of local units of government in county area, including the county government}}$$

5) Individual city and township government shares = amount para. 4, above x

$$\frac{\text{(Pop.) (GTEF)* (RIF)**}}{\text{sum of products of (Pop.) (GTEF) (RIF) for all cities and townships}}$$

*GTEF = General Tax Effort Factor
**RIF = Relative Income Factor

Q: Can a state change its allocation formula?

A: Yes.

The Act includes a provision permitting states to modify the allocation formula to be used in distributing funds to the local units of government. This allows the states to weigh general tax effort factors or relative income factors – or both – in the allocation of revenue sharing funds. However, a state may exercise this option just once during the five-year term of the program.

Such action requires the enactment of a public law by the state. The state must also notify the Secretary of the Treasury not later than 30 days before the beginning of the first entitlement period to which the new law applies. The Secretary then will certify the the state law complies with all requirements of the local option formula, and that the law will allocate to local governments all funds to which they are entitled under the Act for each pay period through December 31, 1976.

Any such law must apply uniformly throughout the state.

Q: Are there any "strings" attached to the use of revenue sharing funds?

A: For states, no, but local governmental units must use the funds for what the statute defines as "high priority expenditures." The list of high priority expenditures is very broad and includes the following:

I. Maintenance and operating expenses for:
   1. Public safety (including law enforcement, fire protection, and building code enforcement).
   2. Environmental protection (including sewage disposal, sanitation, and pollution abatement).
   3. Public transportation (including transit systems and streets and roads).
   4. Health.
   5. Recreation.
   6. Libraries.
   7. Social services for the poor or aged.
   8. Financial administration.

II. "ordinary and necessary capital expenditures authorized by law."

Excluded are the use of revenue sharing funds for education or as "matching" funds. However funds may be used for education-related capital expenditures.

Q: When will the necessary regulations be published?

A: An interim set of regulations covering the first allocation period has been published. A set of permanent regulations is anticipated in December or January.

Q: How many federal employees will be required to carry out the program?

A: This is not yet certain, but the staff of the Office of Revenue Sharing in the Treasury will consist of only a relatively small group of specialists in such areas as data systems, auditing, and so on.

Q: What reports do states and local governments have to file?

A: At the close of each entitlement period, each state and local government must submit a report to the Secretary of the Treasury which sets forth the amounts and purposes for which the funds under the Act have been spent or obligated.

Before the beginning of each entitlement period, each state and local government must file with the Secretary a report which sets forth the amounts and purposes for which they plan revenue sharing funds to be expended or obligated during that period. (The form and detail of these reports will be prescribed in the permanent regulations.)

In addition, each report must be published in a newspaper which has general circulation in the state for state reports, in the city for city reports – that is, in the geographic area of that unit of government. Other news media must also be advised of the availability of these reports.

Q: What is the source of the data for determining allocations of revenue sharing funds?

A: Data are provided by the Census Bureau. The population and per capita income figures used in initial estimates came from the 1970 Decennial Census, and the tax data came from the 1967 Census of Governments. These figures are being updated by a special study now being completed by the Census Bureau.

It should be emphasized that figures published as the Act cleared the Congress were based on estimates from the older data and do not represent the final amount each unit of government will receive.

The new studies will bring the data up to 1971 and then will be kept up to date on a continuing basis. Adjustments will be made as more up-to-date information becomes available.

Income tax data for use in the five-factor formula are estimates of calendar year 1972 income tax collections by the states.

Q: What happens when a city absorbs a suburb or some other change in governmental units takes place?

A: The regulations are designed to ensure that provisions of the Act are followed when changes take place by reason of boundary line changes, state statutory or constitutional

changes, annexation, or other governmental reorganizations, or by reason of other circumstances.

Q: Will reports be required prior to the first disbursement?

A: No.

Q: Will reports be required on the use of the first disbursement?

A: Yes.

Q: Are these reports the same ones which the Act requires be published in local newspapers?

A: Yes.

Q: What sort of audit procedure is planned for revenue sharing?

A: At the start, a Treasury Department staff of about 25 will be used to back up normal state, city, county, and town audits. The expectation is that this group will do about 300 routine audits yearly on a statistical sample basis.

In addition, there will, of course, be special audits in cases of irregularities, discrimination cases, wage problem cases, and so on.

Q: What redress procedures are available if a state, county, or town feels it has not received an equitable share of the funds?

A: The Secretary of the Treasury will establish procedures to resolve such problems.

In the interim, every reasonable effort will be made to correct difficulties that are brought to the attention of the Office of Revenue Sharing.

Q: Will Treasury audit all 38,000 governmental units each year?

A: No. State and local governments already have auditing procedures of their own. It would take 2,500 auditors and $60 million per year to duplicate those state and local audits – and there is no need to.

Furthermore, the law contemplates that responsible state and local officials will certify periodically that the funds are being expended in accordance with the requirements of the federal act.

In the final analysis, however, it will be the voters in every governmental unit who will "audit" the use of the funds, through the exercise of their power in the voting booth.

Q: Just how much can 25 federal auditors and staff cover?

A: A great deal.

Fifty states receive one-third of the money. Fifty big cities receive another third. Doing 300 audits a year, a staff of 25 can therefore audit the major portion of the $30 billion involved in revenue sharing.

Additionally, Treasury will be relying on regular state audits of local governments as well as reports from reputable private accounting firms.

Q: The Act requires that funds be used in such a manner so as not to discriminate on the basis of race, color, national origin or sex. How will Treasury monitor this provision?

A: The Secretary of the Treasury is held responsible to establish necessary procedures to carry out the anti-discriminatory provisions of the law.

Just as in other, similar civil rights legislation, the procedures will be coordinated with the Attorney General.

Q: The Act requires that revenue sharing funds be used only for projects where Davis-Bacon minimum wage standards are met.

How will Treasury ensure that this provision is carried out?

A: All laborers and mechanics employed by contractors or subcontractors in the performance of work on any construction project, 25 percent or more of the costs of the project being paid of its trust fund, will be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act.

If the Secretary of the Treasury determines that this has not been done, he may start procedures which could result in the withholding of funds from the state or local government. Payment will not be restored until appropriate corrective action has been taken, to the satisfaction of the Secretary.

Q: Are there penalty provisions in the Act?

A: Yes.

If a state or local government fails to comply with provisions of the Act, has had reasonable time for a hearing, and has not taken corrective action within a 60-day period, payments may be suspended. Money repaid to the Secretary of the Treasury in such cases will be deposited in the General Fund.

In the case of a unit of local government which spends money on nonpriority expenditures, the local government will pay over to the Secretary an amount equal to 110 percent of any amount expended out of its trust fund in violation of the revenue sharing act, unless such amount is promptly repaid to the local government's trust fund (or the violation is otherwise corrected) after notice and opportunity for corrective action.

Source: U.S. Department of the Treasury.

STATEMENT ON MANPOWER PROGRAMS SUBMITTED ON BEHALF OF THE U.S. CONFERENCE OF MAYORS

The Administration's Fiscal Year 1974 Budget proposes a drastic reduction of Federal support for job creation and manpower training services. This stark impact is not obscured by the proposed expansion of authority of State and local governments over manpower programs. Nor can the reduction be hidden by the decision to stretch out expenditure of funds for the Public Employment Program through Fiscal Year 1974 or by the decision to reduce Fiscal Year 1973 expenditures for manpower training by recissions of existing appropriations.

In simplest terms, the Administration's Budget proposes to eliminate more than 50 percent of the funds presently available for job creation and manpower training.

It proposes to terminate the Public Employment Program (PEP). While this is to be accomplished by phasing out the program through Fiscal Year 1974, such a phase-out process does not conceal the fact that there will be some 180,000 less job opportunities in the public sector than there will be if PEP is continued.

It proposes no monies for summer programs for youth—no funds for jobs for young people, no support for recreation or transportation programs. Thus, nearly three-quarters of a million young people will not have a job this summer that did last year. It means that there will not be recreation and cultural programs for some two million young people. And it means that approximately a million young people will not have access to employment, recreational or cultural activities because there will be no funds for transportation support.

It proposes to reduce training services provided to the nation's unemployed and disadvantaged by over 35 percent.

PUBLIC EMPLOYMENT PROGRAM (PEP)

The Budget proposed by the Administration makes no request for the continuation of the Emergency Employment Act of 1971. It proposes that the full $2.25 billion authorized for FY 1972 and FY 1973 be appropriated and spent. However, these funds will be used to phase out the program through Fiscal 1974.

This extended period for phasing out the program would ease the burden which Program Agents—State, County and City governments—will face in placing participants in unsubsidized employment or laying off participants. But this phase-out process does not change the fact that there will be no funds to continue the jobs created under PEP and that there is no alternative offered to help meet the public service needs of State and local governments.

PEP, to date, has had some 234,000 participants nationally. These participants have worked in some 181,000 jobs created under this program. Two hundred and twelve (212) cities of a population of 75,000 or more have served as Program Agents under the program. One-third of the jobs are administered by these cities. Countless more cities, of less than 75,000 population, employ PEP participants in their role as subagent to County or State governments.

The impact of the elimination of PEP is staggering. At the simplest level, it means that 181,000 employment opportunities which existed this year will be gone next. It means that 181,000 man years of public service in State and local governments which was provided this year must be eliminated or will require additional local revenues to continue. No time extension without additional funds can obscure that fact.

Who are these people that PEP's elimination will throw back into a still glutted labor market? These are not, as has been too frequently implied, the temporarily displaced or the readily employable. Over 50 percent of the PEP participants of city Program Agents are members of minority groups and over 40 percent are disadvantaged. They are 40 percent veterans, nearly three-quarters of whom are veterans of the Vietnam era. Some 25 percent are under age 22. Twenty-five (25) percent have less than a high school education. These are *not* the characteristics of the readily employed.

What will be the impact on public services in our cities and States? The real toll that will be taken can only be measured city-by-city. We do not have the time to do that here. But let me give you some examples. In Canton, PEP meant that we were able to maintain the existence of the municipal transit system which otherwise would have closed. In Shreveport, the addition of Fire Department personnel resulted in an improved insurance rating for the city with the result that

the average homeowner saves up to $20 per year on fire insurance premiums. In Denver, the response time for emergency medical services was cut in half. In Rochester, New York, PEP's elimination will result in the closing of six recreation centers and will wipe out the 40 percent increases in maintenance and repair of municipal property.

These are but several examples of the expanded public services which PEP made possible. In addition, over 60 percent of the city Program Agents utilized PEP to provide new and long needed public services. Drug abuse and rehabilitation clinics were initiated in Jersey City, Honolulu, Long Beach, Duluth, and Hayward, California, among others. Environmental protection programs were initiated such as recycling centers, riverbank stabilization, conduct of environmental impact studies, emissions inventories and pollution surveillance and compliance units. Consumer affairs units, programs for the elderly, paramedical services, security guards for housing and educational facilities—all of these were among the innovative and new programs which PEP enabled cities to undertake.

The statement of Dr. Jon Lindolf, Assistant Professor of Education at the University of Maine testifies to one more aspect of PEP's impact. Dr. Lindolf conducted training sessions for participants hired to fill the 90 teacher aide positions created with PEP funds in Maine. In expressing his feeling that the program had important effects on the public school systems in Maine, he noted: "The introduction of aides, who in many cases are more truly representative of the socio-economic status of students in the community, effectively improves communications between students and teachers. Secondly, the notion that education is best conducted with a pupil-teach ratio of 1 to 30 has increasingly been recognized as a notion that places impossible burdens on teachers. The introduction of extra personnel with varying degrees of training effectively reduces the student-teacher ratio by half or more and makes possible successful individualization in the educational process."

If PEP is eliminated, what will happen to these teacher aides in the State of Maine?

The legitimate demand for increased public service is a constant in our cities. Every study conducted in the last seven years, including a survey undertaken recently by the Senate Subcommittee on Employment, Manpower and Poverty, reveals that States and local government could effectively use three to five times the number of employees that are now employed under PEP. And PEP's implementation has proven that the use of the word "effective" is valid.

SUMMER YOUTH PROGRAMS

The Administration's Budget proposes *no* summer program funds, be it for employment through the Neighborhood Youth Corps Program or assistance for recreational and cultural programs through the Recreation Support Program (RSP) and the Summer Youth Transportation Program (SYTP).

What the Budget offers is a cruel choice. If we want to undertake summer youth programs, we must either take funds from the already reduced monies available for manpower training services or we may be given the option to use some of the PEP monies for summer employment opportunities. In effect, the option is to prevent a parent from receiving needed training or eliminate a parent's PEP job in order to provide a summer job to their children.

The consequences of the elimination of these programs are made apparent by the results of the programs in the summer of 1972.

Funds for Summer Neighborhood Youth Corps provided 740,000 jobs for young people.

Funds for Recreation Support ($15 million) provided recreational and cultural programs which served over 2 million young people.

Funds for Summer Youth Transportation ($1.5 million) made transportation available to some one million young people for the purpose of employment, and recreational and cultural activities.

This is what will *not* happen this summer, under this Administration's proposed Budget.

And it should be noted that the need is even greater than the past summer's program could meet. A survey was conducted by the National League of Cities and U.S. Conference of Mayors of the cities' 1973 needs for summer youth program support. A copy of the results of that survey is submitted with this statement.

In summary, it indicates that the present real needs are some one million summer employment opportunities, nearly $25 million for recreation support and over $3.5 million for transportation support.

MANPOWER TRAINING SERVICES

In the area of manpower training services (those authorized under the Manpower Development and Training Act and the Economic Opportunity Act), the Administration proposes a budget authority of $1.340 billion for FY 1974. And it must be noted that this total includes $40 million transferred from OEO to the Department of Labor for migrant programs. Thus, comparisons with prior years' funding levels means that the figure for manpower training services for FY 1974 would be only *$1.300 billion.*

This figure compares to a Fiscal Year 1972 appropriation of $1.682 billion and a Fiscal 1973 *anticipated* budget of $1.549 billion, or reductions of 28 percent and 16 percent respectively.

We use the word "anticipated" for the FY 1973 budget authority with a purpose. The Administration, as part of its Fiscal Year 1974 budget proposes to reduce the Fiscal Year 1973 budget by some $375 billion. Thus, they now show an appropriation for Fiscal Year 1973 of $1.174 billion. This $375 million reduction is to be accomplished by rescinding $284 million of the already approved EOA appropriation and a revised request for appropriations under MDTA which is $91 million less than had initially been requested and included in the vetoed DOL–HEW appropriations bill.

This means a nearly 25 percent reduction during the present Fiscal Year. And this reduction is being accomplished with or without the benefit of Congressional action by means of budget cutbacks and enrollment freezes which were initiated administratively in December and which still continue.

By the Department of Labor's own statistics, this means there will be a reduction, in this Fiscal Year, of 25 percent in the number of man-years of training provided under MDTA and EOA programs. Again, using the Department's own figures, there will be a reduction of over 50 percent in the number of new enrollees in manpower training programs between Fiscal 1972 and Fiscal 1973. More than 700,000 potential enrollees will not be served this year. More than 130,000 man-years of training will be unavailable.

And that is within this Fiscal Year only. The Department's statistics project another decrease of 11 percent, or over 40,000 man-years of training in Fiscal Year 1974, compared to Fiscal Year 1973.

The Administration's budget states that they will move administratively to decategorize and decentralize manpower programs. This is a goal which we have long sought and continue to support, although we believe that its achievement would be better realized though comprehensive reform legislation. But while we support the goal, its accomplishment at the funding level proposed in the Budget will be a pyrrhic victory.

SUMMER NEIGHBORHOOD YOUTH CORPS

	Rank In Size	Population	SLOTS '72 Need	'72 Actual*		'73 Need	DOLLARS # '73 Need
REGION I							
Boston	16	641,000	5,000	5,213	(4,692)	6,400	$ 2,995,200
REGION II							
Buffalo	28	463,000	4,268	2,238	(2,014)	6,834	3,198,312
Newark	35	382,000	14,563	7,000	(6,300)	14,563	6,815,484
New York	1	7,868,000	77,500	54,800	(49,320)	77,500	36,270,000
Rochester	49	296,000	4,650	1,030	(927)	4,650	2,176,100
REGION III							
Baltimore	7	906,000	9,420	7,712	(6,941)	9,420	4,408,560
Norfolk	47	308,000	2,625	2,200	(1,980)	3,500	1,638,000
Philadelphia	4	1,949,000	12,500	8,571	(7,714)	15,000	7,020,000
Pittsburgh	24	520,000	9,265	5,670	(5,103)	9,265	4,336,000
D.C.	9	757,000	36,000	3,999	(3,599)	20,000	9,360,000
REGION IV							
Atlanta	27	497,000	3,408	4,680	(4,212)	5,388	2,521,584
Birmingham	48	301,000	2,135	2,757	(2,481)	2,774	1,298,232
Jacksonville	23	529,000	1,735	637	(573)	2,500	1,170,000
Louisville	38	361,000	3,500	2,250	(2,025)	3,500	1,638,000
Memphis	17	624,000	2,394	1,935	(1,741)	2,394	1,120,392
Miami (Dade County)	42	335,000	8,226	5,429	(4,886)	8,226	3,849,768
Nashville	30	448,000	2,000	1,700	(1,530)	2,000	936,000
Tampa	50	278,000	6,515	2,649	(2,384)	6,515	3,049,020
REGION V							
Chicago	2	3,367,000	40,000	31,617	(28,455)	40,000	18,720,000
Cincinnati	29	452,000	3,000	3,592	(3,233)	5,000	2,340,000
Cleveland	10	751,000	11,100	12,457	(11,211)	12,500	5,850,000
Columbus	21	540,000	2,000	1,650	(1,485)	1,800	842,400
Detroit	5	1,511,000	25,000	18,488	(16,639)	25,000	11,700,000
Indianapolis	11	745,000	2,500	2,100	(1,890)	3,000	1,404,000
Milwaukee	12	717,000	3,000	3,379	(3,041)	3,379	1,581,372
Minneapolis	32	434,000	2,735	1,800	(1,620)	3,080	1,441,440
St. Paul	46	310,000	1,025	1,120	(1,008)	1,300	608,400
Toledo	34	384,000	990	1,400	(1,260)	1,400	655,200
REGION VI							
Dallas	8	944,000	2,280	1,505	(1,355)	2,280	1,067,040
El Paso	45	322,000	3,000	1,168	(1,051)	4,672	2,186,496
Fort Worth	33	393,000	1,507	155	(140)	1,507	705,276
Houston	6	1,233,000	3,560	5,284	(4,756)	5,664	2,650,752
New Orleans	19	593,000	5,000	3,085	(2,776)	5,000	2,340,000
Okla. City	37	366,000	1,530	1,010	(909)	1,530	716,040
San Antonio	15	654,000	5,514	5,080	(4,572)	6,000	2,808,000
Tulsa	43	332,000	1,011	771	(693)	1,011	473,148

Rank In Size		Population	SLOTS '72 Need	'72 Actual*		'73 Need	DOLLARS# '73 Need
REGION VII							
Kansas City	26	507,000	4,000	3,580	(3,222)	4,000	1,872,000
Omaha	41	347,000	1,670	867	(780)	1,670	781,560
St. Louis	18	622,000	5,910	8,060	(7,254)	9,000	4,212,000
REGION VIII							
Denver	25	515,000	2,100	2,038	(1,834)	2,100	982,800
REGION IX							
Honolulu	44	325,000	2,800	791	(711)	2,800	1,310,400
Long Beach	40	358,000	432	384	(345)	432	202,176
Los Angeles	3	2,813,000	24,568	25,319	(22,787)	27,491	11,700,000
Oakland	39	362,000	5,850	2,050	(1,845)	5,850	2,737,800
Phoenix	20	582,000	17,000	3,964	(3,567)	17,000	7,956,000
San Diego	14	697,000	4,510	4,733	(4,259)	5,500	2,574,000
San Francisco	13	716,000	8,000	4,000	(3,600)	8,000	3,744,000
San Jose	31	446,000	3,535	1,910	(1,719)	3,535	1,654,380
REGION X							
Portland	36	382,000	5,000	2,500	(2,250)	5,000	2,340,000
Seattle	22	581,000	5,000	2,163	(1,947)	5,000	2,340,000

SAMPLING OF CITIES OTHER THAN 50 LARGEST

Akron, Ohio	275,425	1,216	1,190	(1,071)	1,351	632,268
Albany, N. Y.	114,873	540	449	(404)	600	280,000
Albuquerque, N. M.	243,751	1,000	815	(733)	1,000	468,000
Amarillo, Tex.	127,010	1,092	820	(738)	1,200	561,600
Baton Rouge, La.	165,963	225	150	(135)	250	117,000
Columbia, S.C.	113,542	1,825	2,030	(1,827)	2,030	950,040
Columbus, Ga.	154,168	1,820	1,720	(1,548)	2,000	936,000
Dayton, Ohio	243,601	1,500	1,320	(1,188)	2,500	1,170,000
Des Moines, Iowa	200,587	750	750	(675)	750	351,000
Erie, Pa.	129,231	950	950	(855)	950	444,600
Flint, Mich.	193,317	1,800	920	(828)	2,000	936,000
Ft. Lauderdale, Fla.	139,590	540	600	(540)	600	280,800
Gary, Indiana	175,415	4,447	3,500	(3,150)	4,447	2,081,196
Greensboro, N.C.	144,076	871	880	(792)	968	453,028
Hartford, Conn.	158,017	2,730	2,495	(2,245)	3,000	1,404,000
Jackson, Miss.	153,968	757	403	(363)	757	354,276
Knoxville, Tenn.	174,587	1,520	1,520	(1,368)	1,520	711,360
Lansing, Mich.	131,546	900	460	(414)	1,000	468,000
Lincoln, Neb.	149,518	350	386	(347)	400	187,200
Little Rock, Ark.	132,483	1,320	72	(65)	1,320	617,760
Mobile, Ala.	190,026	900	756	(680)	950	444,600
Montgomery, Ala.	133,386	500	557	(501)	570	266,760
Riverside, Calif.	140,089	150	75	(67)	150	70,200
Santa Ana, Calif.	156,601	2,550	1,900	(1,710)	2,800	1,310,400

	Population	SLOTS				DOLLARS#
		'72 Need	'72 Actual		'73 Need	'73 Need
Savannah, Ga.	118,349	600	550	(450)	650	304,200
Shreveport, La.	182,064	637	628	(565)	700	327,600
Syracuse, N.Y.	197,208	1,365	1,200	(1,080)	1,500	702,000
Tacoma, Wash	154,581	600	588	(529)	600	280,800
Wichita, Kans.	276,554	980	1,075	(967)	1,075	503,100
Winston-Salem, N.C.	132,913	850	750	(675)	850	397,800
Worchester, Mass.	176,572	825	705	(634)	900	421,200
FIFTY LARGEST TOTAL		410,831	278,490	(250,641)	421,930	$197,463,240
BALANCE OF CITIES		537,893	461,732	(415,559)	597,061	279,424,548
TOTAL		948,724	740,222	(666,200)	1,018,991	$476,887,788

*All figures in the above chart represent 10 week slots except the first column under "'72 Actual" which are 9 week slots.
#Dollar figures represent 10 week, 26-hour slots at $1.65 per hour.

SUMMER RECREATION SUPPORT PROGRAM
(RSP)

	'72 Need	'72 Actual	'73 Need
REGION I			
Boston	$ 180,000	$ 168,000	$ 350,000
REGION II			
Buffalo	120,000	123,000	125,000
Newark	140,000	100,000	200,000
New York	2,934,000	2,336,000	2,934,000
Rochester	95,000	68,000	136,000
REGION III			
Baltimore	335,000	302,910	335,000
Norfolk	180,000	132,000	201,500
Philadelphia	700,000	543,000	1,000,000
Pittsburgh	165,000	168,000	200,000
D.C.	364,000	245,000	364,000
REGION IV			
Atlanta	180,000	143,000	180,000
Birmingham	170,000	120,000	170,000
Jacksonville	175,000	150,000	250,000
Louisville	130,000	96,000	130,000
Memphis	305,000	264,000	305,000
Miami (Dade County)	192,000	126,000	192,000
Nashville	150,000	150,000	200,000
Tampa	175,000	132,000	175,000

RSP (cont'd.)

	'72 Need	'72 Actual	'73 Need
REGION V			
Chicago	$ 2,100,000	$ 913,000	$ 2,100,000
Cincinnati	175,000	135,000	175,000
Cleveland	205,000	230,000	380,000
Columbus	211,000	132,000	211,000
Detroit	897,000	399,000	897,000
Indianapolis	195,000	130,000	260,000
Milwaukee	155,000	144,000	160,000
Minneapolis	96,000	63,000	130,000
St. Paul	58,000	36,000	58,000
Toledo	120,000	84,000	120,000
REGION VI			
Dallas	285,000	228,000	285,000
El Paso	200,000	194,000	250,000
Fort Worth	173,000	108,000	175,000
Houston	440,000	350,000	440,000
New Orleans	300,000	306,000	500,000
San Antonio	400,000	324,000	500,000
Tulsa	115,000	92,000	200,000
Oklahoma City	170,000	108,000	170,000
REGION VII			
Kansas City	130,000	118,000	200,000
Omaha	96,000	61,000	96,000
St. Louis	384,000	254,000	405,000
REGION VIII			
Denver	170,000	126,400	170,000
REGION IX			
Honolulu	99,000	70,000	140,000
Long Beach	125,000	72,000	125,000
Los Angeles	650,000	552,000	650,000
Oakland	125,000	104,000	125,000
Phoenix	200,000	144,000	288,000
San Diego	200,000	164,000	825,000
San Francisco	250,000	180,000	250,000
San Jose	100,000	85,000	100,000
REGION X			
Portland	135,000	89,000	135,000
Seattle	129,000	89,000	129,000
FIFTY LARGEST TOTAL	$15,928,000	$11,451,310	$18,096,500
BALANCE OF CITIES	6,030,000	3,548,690	6,850,080
TOTAL	$21,958,000	$15,000,000	$24,946,580

SUMMER YOUTH TRANSPORTATION PROGRAM
(SYTP)

	'72 Need	'72 Actual	'73 Need
REGION I			
Boston	$ 20,000	$ 10,700	$ 20,000
REGION II			
Buffalo	13,000	7,500	13,000
Newark	39,500	23,437	69,300
New York	251,400	149,130	500,000
Rochester	12,000	7,500	15,000
REGION III			
Baltimore	35,000	21,100	35,000
Norfolk	12,000	7,500	25,600
Philadelphia	24,360	24,360	100,000
Pittsburgh	22,000	12,650	22,000
Washington, D.C.	38,700	22,960	100,000
REGION IV			
Atlanta	30,000	12,080	30,000
Birmingham	24,000	13,790	24,000
Jacksonville	14,000	6,300	14,000
Louisville	12,500	7,500	12,500
Memphis	18,000	11,860	18,000
Miami (Dade County)	23,000	12,000	23,000
Nashville	12,000	7,000	12,000
Tampa	17,000	7,500	0
REGION V			
Chicago	70,000	42,240	70,000
Cincinnati	15,000	7,920	15,000
Cleveland	35,000	19,310	35,000
Columbus	17,000	8,640	17,000
Detroit	75,000	36,560	75,500
Indianapolis	15,000	8,480	15,000
Milwaukee	65,000	47,280	66,192
Minneapolis	20,000	12,380	75,000
St. Paul	12,500	7,500	12,500
Toledo	15,750	7,990	20,000
REGION VI			
Dallas	23,990	19,340	23,990
El Paso	58,900	38,900	77,800
Ft. Worth	15,000	8,130	15,000
Houston	45,000	25,060	0
New Orleans	25,000	14,790	25,000
Oklahoma City	25,000	14,000	25,000
San Antonio	26,570	14,570	26,570
Tulsa	12,500	7,500	20,000

SYTP (cont'd.)

	'72 Need	'72 Actual	'73 Need
REGION VII			
Kansas City	$ 50,000	$ 13,970	$ 50,000
Omaha	15,000	13,500	16,000
St. Louis	43,500	25,790	43,500
REGION VIII			
Denver	29,000	18,320	29,000
REGION IX			
Honolulu	15,000	7,500	15,000
Long Beach	16,000	7,500	16,000
Los Angeles	82,870	82,870	164,000
Oakland	28,000	15,000	28,000
Phoenix	23,000	11,740	25,000
San Diego	30,000	14,360	30,000
San Francisco	25,000	11,970	25,000
San Jose	8,160	7,500	9,000
REGION X			
Portland	13,000	25,000	25,000
Seattle	32,100	19,060	32,100
FIFTY LARGEST TOTAL	$1,608,940	$ 979,487	$2,155,552
BALANCE OF CITIES	1,141,060	520,513	1,527,879
TOTAL	$2,750,000	$1,500,000	$3,683,431

STATE-LOCAL FINANCE BEYOND REVENUE SHARING

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When I was invited to give this paper earlier this year, few people were predicting that the revenue sharing bill would be passed by the 92nd Congress. I shall leave it to the political scientists to explain why the bill did get through this year—eight years after the idea was launched by Walter Heller and worked out in detail by a Task Force which I chaired. But it *is* an important piece of legislation, and a significant departure from past federal grant-in-aid policies. Furthermore, it was enacted for an initial period of five years, so it cannot yet be regarded as a permanent feature of the federal grant structure. It is not too soon, therefore, to begin evaluating the legislation as it was finally enacted so that Congress will be able to judge the program when the time comes to renew or abandon it five years from now.

Revenue sharing has been the subject of heated debate ever since it was proposed. It has been hailed by some as a revolutionary step in fiscal federalism, while others have warned that it would ruin state and local government in this country. I have personally never been both praised and maligned as much for any idea I have supported as I have been for this one—even though this idea has never seemed as earth-shaking to me as it has seemed to many of its zealous supporters and opponents.

In view of this rather unusual history, I thought it would be appropriate to use this opportunity—so soon after the legislation was passed—to review the rationale and original design of revenue sharing, compare the final legislation with the original proposal, and suggest criteria by which the program should eventually be judged. Since I don't believe that revenue sharing is the solution to all the nation's intergovernmental

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*The views expressed in this paper are those of the author and are not intended to represent the views of the Brookings Institution, its officers, staff, or Trustees.

financial problems, I should also like to suggest what additional steps need to be taken to strengthen our fiscal federalism. In particular, I feel strongly that there is an urban problem in this country which revenue sharing in its present form cannot solve and that federal and state governments will have to take strong action to prevent a national crisis.

Rationale of Revenue Sharing

While the states and local governments have always had their fiscal problems, their predicament reached a crisis stage during the 1960s. In the ten years ending June 30, 1970, state-local revenues from their own sources rose at an annual rate of 9.6 percent, while the gross national product rose at an annual rate of 6.8 percent. This feat was accomplished with a tax system that is much less responsive to economic growth than the federal system. To fill the gap between revenue needs—which rose faster than the gross national product—and revenue growth, the states and local governments adopted new taxes and increased the rates on old taxes. Since state and local governments rely heavily on sales and property taxes, unnecessarily harsh burdens were imposed on the lowest income groups. The continued increases in tax rates met with increasing resistance from the voters, with unfortunate consequences for public services and facilities that were urgently needed almost everywhere.

The mismatch between state-local revenue needs and revenue sources was partially alleviated by unilateral action on the part of the federal government. As federal revenues continued to respond to economic growth, federal grants-in-aid increased dramatically—from $7 billion in 1959-60 to almost $33 billion in 1971-72. In addition, as the decade of the 1960s wore on, more and more attention was given to the possibility of sharing by the federal government of its growth-elastic tax receipts with the states and local governments on a more or less automatic basis and without restriction as to the use of the funds.

As soon as it was launched, the idea of revenue sharing immediately created a sharp controversy over the merits of conditional federal grants. Both sides agreed that the federal government had to increase its assistance to state and local governments. The disagreement concerned the form in which the assistance should be given. Walter Heller and I took the view that unrestricted as well as conditional grants are needed to achieve the objectives of federalism and that the system would be deficient without both types of grants.

Conditional grants are intended to encourage the states and local governments to do certain things which Congress deems to be in the national interest. They are justified on the ground that the benefits of

many public services "spill over" from the community in which they are performed to other communities. Each state or community would tend to pay only for the benefits likely to accrue to its own citizens and, as a result, expenditures for such services would be too low if financed entirely by state-local sources. Assistance by the federal government is needed to raise the level of expenditures for such programs closer to the optimum from the national standpoint. To achieve this optimum, a conditional grant should have enough restrictions—minimum standards and matching requirements—to assure Congress that the funds will be used for assigned purposes and that states and local governments will pay for benefits that accrue to their own citizens.

Unconditional or general purpose grants are justified on substantially different grounds. First, the basic need for unconditional grants arises from the obvious fact that all states and local governments do not have equal capacity to pay for public services. Poorer states and communities are simply unable to match the revenue raising ability of richer ones, and cannot afford to support public services at a level that approaches adequacy. Second, federal use of the best tax sources and the fear that tax rate increases will drive citizens and businesses to neighboring states operate to restrain needed tax increases at the state level. This justifies some federal assistance to all states, but the poorer states should receive relatively more help because of their low fiscal capacities.

Thus, conditional and general purpose grants have very different objectives and these could not be satisfied if the federal system were limited to one or the other type of grant. Conditional grants are intended to help *people* either directly through cash assistance or indirectly through the support of government programs that will benefit them. General purpose grants are intended to help *governments* that do not have adequate fiscal capacity because too many low-income people reside within their borders. Revenue sharing cannot provide the stimulus to particular programs obtained by the conditional grant approach. Conversely, the existence of a conditional grant program will not provide the fiscal support needed to finance the portion of other state-local services that people at the lower end of the income scale cannot support out of their meager incomes.

The equalization objective is achieved in most revenue sharing plans by allocating the funds among the states and local governments mainly on the basis of population. Suppose a poor state collects $400 per capita from its residents, while another state making the same tax effort collects $800 per capita. A $50 per capita grant would increase the fiscal resources of the poor state by 12.5 percent and the rich state by 6.25 percent. An additional equalizing effect could be obtained by weighing the population

figures by the inverse of state per capita incomes or by distributing part of the funds exclusively among the bottom third of half of the states when ranked by per capita income.

It is important to stress that equalization is the major objective of revenue sharing. While others differ with me on this point, in my view, revenue sharing would not be needed if the distribution of income and wealth was the same throughout the country. If all communities had the same average income and wealth, the same tax structure could yield the same revenues everywhere. The federal government would presumably finance programs that provided national benefits. Each community would decide the level of expenditures and, therefore, of tax rates, to provide public services (that is, those with local or regional benefits) for the people that live within its boundaries. With the same fiscal capacity, expenditures might differ, but no community would be thwarted because of the lack of fiscal resources.

But this ideal arrangement is not possible in a national system in which the distribution of income and wealth is unequal. A simple example may help to explain the point. The average per capita income in the poorest five states is roughly $2,800; it is not quite $5,000 in the five richest states. Suppose one of the poor states levied a 10-percent income tax, that is, an income tax that collected 10 percent of the total personal income in that state, and suppose one of the richer states also levied a 10 percent income tax. (In order to collect that much revenue, the poorer state would have to have substantially higher rates simply because the people wouldn't be in as high brackets.) The 10 percent income tax in the poor states would yield $280 per capita. The 10 percent income tax in the rich states would yield $500 per capita. In other words, with the same average tax rate on personal income (which would require higher nominal rates in the poor state), the rich state could afford almost twice the public services that the poor state could afford. Alternatively, to receive the same quantity of public services, a resident of the rich state would have to pay much lower taxes than a person with the same income who resides in the poor state.

But why not equalize fiscal capacity by simply giving money to people rather than to governments? The answer is that there are poor governments as well as poor people. Suppose that the federal government adopted a negative income tax that provided an adequate minimum income for all citizens in the United States. By definition, since the minimum allowance is at the poverty level, the family which receives it has no ability to pay for public services. In addition, those immediately above the minimum income level have very little capacity to pay taxes. Thus, the state and local governments with a high concentration of low income

people must receive outside funds to be able to support needed public services. Some have argued that this objective could be satisfied by a set of categorical grants for the major local public services. But it is inconceivable that any such set could be devised to approximate the equalization effect of one general grant based on per capita income or the incidence of low incomes.

The Original Revenue Sharing Proposal

The core of the original revenue sharing plan, with which Walter Heller and I have been identified, was the regular distribution of a specified portion of the federal individual income tax to the states primarily on the basis of population. The essential features of the plan were as follows:

1. The federal government each year would set aside and distribute to the states an eventual 2 percent of the federal individual income tax base (the amount reported as net taxable income by all individuals). This would mean that, under the present rate schedule which begins at 14 percent and rises to a maximum of 70 percent, the federal government would collect 2 percentage points in each bracket for the states and 12 to 68 percentage points for itself.

2. The states would share the funds on the basis of population, weighted by relative tax effort. In addition, a portion of the funds could be set aside for supplements to states with low per capita income or with a high incidence of poverty. The purpose of the tax effort factor was to encourage states to maintain or increase their own tax effort. The supplement to low-income states was designed to augment the automatic equalization effect of the basic per capita distribution.

3. Whether to leave the fiscal claims of the localities to the mercies of the political process and the institutional realities of each state or to require a pass-through to them was not an easy questions. Originally, we left this question open, but soon concluded that the legitimate—and pressing—claims of local government required explicit recognition in the basic formula of revenue sharing. However, the allocation among units of government cannot be determined on any scientific basis, so we did not venture to suggest any particular formula for the pass-through. In fact, this turned out to be the most difficult practical issue throughout the legislative history of the bill.

4. Constraints on the use of the funds were to be much less detailed than those applying to conditional grants. However, the funds were not to be available for highway construction, since there is a special federal trust fund with its own earmarked revenue sources for this purpose. An audit of the actual use of the funds was to be required, as well as certification by the appropriate state and local officials that all applicable federal laws, such

as the Civil Rights Acts, have been complied with in the activities financed by the grants.

The Final Legislation

Although Congress tinkered with every part of the proposal, I believe it is fair to say that the final legislation bears a marked resemblance to the original.

1. I suppose it was too much to expect that Congress would allocate funds to revenue sharing on the basis of a formula tied to the individual income tax base. Instead, it allocated a total of $30.2 billion over the five-year period, 1972 through 1976, with the amounts rising from $5.3 billion in 1972 to $6.5 billion in 1976. These amounts will start out at somewhat more than 1 percent of taxable income at the beginning of the period and decline to somewhat less than 1 percent at the end. So, the Congress cut our suggested figure about in half on the average, but provided for some growth each year—which was, of course, the major objective of the formula based on taxable income.

2. The share of the revenue sharing funds going to each state includes the population, tax effort, and income factors we suggested, but it also includes much more. The House bill contained a five-factor formula under which two-thirds of the funds were to be divided among the states on the basis of total population, urbanized population, and population inversely weighted by per capita income, and one-third on the basis of state individual income tax collections and relative tax effort. The Senate preferred a formula based on population, tax effort, and per capita income.

It will come as a surprise to no one that the Conference Committee decided to make the allocation on the basis of the larger amount obtained by each state from the two formulas. Since the sum of these amounts exceeded the totals allocated to the program, they were all scaled down proportionately to yield the proper total.

The final formula gives weight to five factors: total population, urbanized population, per capita income, tax effort and individual income tax collections. Three of these factors—population, tax effort, and per capita income—were included in the original revenue sharing proposal. The inclusion of an incentive for the states to collect more revenue from the individual income tax is all to the good. The urbanization factor will help the more densely populated states, but it may also act to neutralize the effect of the other factors.

My colleague, Robert Reischauer, has calculated that the final compromise will have a considerable equalizing effect at the state level (Table 1). When the states are ranked on the basis of 1971 per capita incomes, the 1972 revenue sharing grants will add 3.6 percent to the

TABLE 1. Relationship of Revenue Sharing Grants to State-Local Revenues from Own Sources and to State Personal Income, by States Ranked by Per Capita Personal Income

States ranked by 1971 per capita personal income	Revenue Sharing Grants in 1972 as Percent of: State-local revenues from own sources, 1970-71	Revenue Sharing Grants in 1972 as Percent of: $1,000 of personal income, 1971
Top 10	3.6	5.3
Second 10	4.2	5.8
Third 10	4.4	6.1
Fourth 10	5.5	7.8
Lowest 10	7.1	9.6

Sources: Revenue sharing grants: State and Local Fiscal Assistance Act of 1972, Joint Committee on Internal Revenue Taxation, September 27, 1972, Page VI; state-local revenues and state personal incomes: Governmental Finances in 1970-71, Bureau of the Census, GF 71 No. 5, pp. 31-32 and 52.

revenues raised by the richest 10 states from their own sources in fiscal year 1970-1971 and 7.1 percent to the revenues raised by the poorest ten. The equalizing effect is equally pronounced on the basis of personal income: the richest ten states will receive $5.30 per $1,000 of 1971 personal income, and the poorest ten will receive $9.60 per $1,000. Unfortunately, it is impossible to make these calculations at this time for the local units of government.

3. One-third of the revenue sharing funds going to each state was allocated to the state governments, and the remaining two-thirds to the local governments. The allocation among local governments is to be made on the basis of population, tax effort, and per capita income, which were the three factors included in the original proposal. In making this decision, Congress carried through the equalization objective down to the local government level.

4. The states will be permitted to spend the revenue sharing funds for any purpose, except that the funds cannot be used to match any other federal grant. Local governments will be permitted to spend the revenue sharing funds on a long list of items that account for perhaps a third of total state-local spending. Since money is fungible, this should give local governments much of the flexibility in spending that was sought in the original proposal. Although Congress could not bring itself to endorse the nomenclature, it gave the states and local governments virtually the same degree of latitude that was envisaged by those of us who proposed that no strings be attached.

The legislation also requires that each state and local government will report to the Secretary of the Treasury on the use of the funds and to publish a copy of the reports in a newspaper published in the geographic

area of the government making the report. A non-discrimination provision is also included in the bill, as originally contemplated.

5. As an extra bonus, the bill also gives the Internal Revenue Service the authority to collect state individual income taxes along with the federal income tax at no cost to the states. To qualify for this new "piggyback" program, states will be required to base their taxes on federal taxable income or collect a flat percentage of the federal tax liability. By putting the better federal collection and enforcement procedures at the disposal of the states, this provision will increase the yield of state income taxes. Together with the bonus provided to income tax states by the basic distribution formula, the piggyback arrangement may encourage the few remaining non-income tax states to add the income tax to their tax structures.

Judging the Effectiveness of Revenue Sharing

It would be difficult to make a complete listing of all the beneficent effects expected of revenue sharing by its proponents. The objective I have stressed most is equalization; others have suggested that revenue sharing would promote efficiency in government, make government programs "more responsive to the people," and even "revolutionize" the federal system of government in this country. I propose to list a few criteria which, while less grandiose, have the virtue that they can be applied in a meaningful way to the experience of fifty states and myriads of local governments.

First, the basic test of the success or failure of revenue sharing will be whether it does in fact improve the ability of poor states and poor local governments to pay for public services. It is fortunate that the next Census of Governments will be for the fiscal year ending June 30, 1972, the last fiscal year prior to revenue sharing. This record should provide the basic data needed to determine whether differentials in fiscal capacity have in fact been narrowed by revenue sharing and whether the tremendous service disparities that exist among different localities have been reduced. On the basis of the figures I have just cited for 1970-71, it seems clear that the equalization effect among states will be substantial. How the legislation will affect local governments is not clear.

Second, greater revenue effort on the part of the states and local governments was an objective of virtually every proponent of revenue sharing, since practically all the competing plans gave some weight to revenue effort in allocating the funds. Yet many have argued that revenue sharing would in fact reduce state-local revenue effort. This issue will be difficult to resolve, since we will never know what expenditures might have been without revenue sharing. A number of models of state-local

expenditures have already been developed, and others will doubtless appear. A crash program may well be needed to develop an adequate model for this purpose. Five years from now, Congress will want to know whether state-local revenue effort has increased, decreased, or remained unchanged as a result of revenue sharing, and economists and political scientists should be ready to answer this question.

Third, the existence of revenue sharing will give Congress an opportunity at last to decide between the categorical and non-categorical approach whenever intergovernmental financial decisions are being made. Most experts agree that the narrow categorical grants have been overworked; some revisions and even pruning of these programs are doubtless in order. (The Nixon Administration has recommended consolidation of most of the grants into six major "special revenue sharing" programs, an approach which, I believe, goes too far in relinquishing federal control over the grant programs.) Revenue sharing will have contributed to the rationalization of the grant system if, after five years, there is at least a good beginning toward confining categorical grants to areas of major national interest, with enough restraints in the program to insure conformity of the state-local governments with the national objectives. This will be a much more difficult criterion to apply than the previous two, but qualitative judgments should not be impossible.

Fourth, just as the national government is responsible for financing public programs that have a national interest, so the states have a responsibility to finance programs that have a regional interest. In addition, states also have a responsibility to help equalize fiscal capacities of their own units of government. It will be necessary, therefore, to monitor the response of the state governments carefully to see that revenue sharing does not given them an opportunity to shirk their intrastate responsibilities.

Fifth, revenue sharing sailed through Congress so easily this year in part because it was seen by many of the urban representatives in the House as a device to do something quickly about the acute financial problems of the nation's major cities. The House bill attempted to recognize this problem by giving weight to urbanization in the distribution formula for local governments. But, in the end, the bill omitted urbanization from the formula. Since the total amount of money going to local governments is small relative to their total expenditures, the urbanization factor would have had only a marginal effect in improving the financial conditions of the cities and would have also greatly benefitted the rich urban suburbs. In any case, an obvious test of the success of revenue sharing is whether it will provide real financial help to the cities, but, as I shall indicate below, I doubt that general revenue sharing—in any form—can pass this test.

The Plight of the Cities

During the last few years, city finances have emerged as the major fiscal problem in the nation. Many, if not most, of the largest cities have found themselves with inadequate fiscal resources to pay for their rapidly growing expenditures. The states have been of little help in most instances. New York City, Newark, Detroit, Philadelphia, are in desperate straits, yet they are located in states that have better than average fiscal capacity by any standard. In these and other cases, the states make it a practice to keep the cities on very short financial rations, instead of adopting a rational procedure for estimating the cities' expenditure needs and for helping them raise the revenues to meet these needs in a fair and equitable manner.

The fiscal plight of the cities results from two basic facts of life:

1. Throughout the entire country, the tax base is moving from the cities to the suburbs, while the expenses of operating public services for residents and commuters are rising sharply. The poor—who have no ability to pay taxes—are concentrated in the cities, while the middle- and high-income recipients are in surrounding suburbs. Few cities in the country have been able to cope with this phenomenon.

2. The state legislatures are often controlled by representatives of the suburbs who believe that it is in their interest to prevent the city from levying taxes on suburbanities to pay for the costs they impose on the city. Hence, many cities are shortchanged in state grant-in-aid programs and others are prohibited from levying taxes on the earnings of commuters. This selfish attitude of suburbanites toward city finances helps to impoverish the city even more, and leads to further deterioration in the very places where they earn their livelihoods and satisfy most of their cultural and recreational needs.

It should be obvious to everyone that the cities of this country are a vital part of its economic and social life. They are centers of industry and commerce, education, arts and letters, theatre and sports, and other economic, cultural, and recreational activities. These benefits accrue to people throughout the country, as well as to the residents of the metropolitan areas in which the cities are located. Thus the costs should not be borne by the residents of the cities alone; part of the costs should be shared by residents of the surrounding communities, and some should be borne by residents of other parts of the country. This explains why both the state and national governments should be concerned with the financing of city services.

In the absence of metropolitan government, it is the responsibility of the state government to see to it that suburbanites help pay for the cities which they use as centers of employment, intellectual activity, and

recreation. Where a metropolitan area is entirely within one state, the state could solve the problem in a simple way by allocating a special general or block grant to the cities out of state funds. Where the metropolitan area covers two or more states, the central city could be given the authority to levy a special income tax (piggybacked to the state tax) which would apply to the full income of its residents and to the earnings of commuters in the city. In normal practice, commuters who are residents of other states are allowed to credit such taxes on their earnings against the income tax of their state of residence, so that this arrangement should not create any serious cases of double taxation.

The federal government can discharge its responsibility by making two revisions in its grant programs:

First, it is time that the federal government recognized that poverty is a national and not a state-local problem and that it should bear the entire cost of the welfare system. Release of state and local fiscal resources now used to pay welfare benefits would provide no-strings-attached funds, with the distribution based on the number of welfare recipients and the benefits currently paid rather than on the basis of total population and the other factors included in the revenue sharing bill. The urban states and some of the large cities have been carrying the fiscal burden because the federal government has so far refused to recognize its full responsibility in this area. Correction of this inequity (as well as reform of the welfare system) is an essential step for the modernization of the system of intergovernmental fiscal relations in this country.

Second, a special block grant to the large cities—over and above the grants provided in the revenue sharing bill—is needed to recognize the special role and unique problems of the largest cities. Since the cities provide national as well as regional benefits, the federal and state governments should share the cost of this new grant. The federal government could insure the cooperation on the part of the states by matching the funds allocated by the state for block grants to the largest cities. I realize that it will be difficult to persuade the Congress to enact a program which will benefit the constituents of only a part of its membership. But unless statesmanship overcomes provincialism, the cities will continue to lose middle- and high-income families who will neither tolerate the inadequate public services that their poor neighbors must accept, nor pay higher taxes to carry the burden for their neighbors. The result will be further decay in our largest cities and continued deterioration of city services and benefits which are so vital to the health and welfare of the nation.

* * * * *

In conclusion, revenue sharing is not a panacea for all the fiscal problems of the state and local governments. It is a constructive piece of legislation which will provide needed revenues for public services in some places and moderate the growth of undesirable state-local taxes in others. The basic purpose of revenue sharing is equalization of state-local resources; unless it promotes this objective to a significant degree, I will regard the revenue sharing experiment as a failure.

I do not accept the proposition that revenue sharing will revolutionize the relationship between the federal government and the states and local governments. It may well be that, upon examination, some of the present categorical grants should be eliminated and others consolidated into broader groups; but the purpose of categorical grants is to stimulate specific governmental activities, and this cannot be done effectively without direction in some detail by the federal government. Consequently, another major test of the wisdom of this legislation is whether the Congress uses revenue sharing and categorical grants for the purposes for which they were designed. If revenue sharing is used to gut the categorical grant system, it will have been a bad bargain.

Finally, revenue sharing cannot solve the fiscal problems of the cities. The viability of the nation's largest cities is of concern to everyone—to those who live in other parts of the country as well as to those who live in close proximity to them. Those outside the cities reap substantial benefits from them, and they should be prepared to pay for the costs of running the cities. The states must give the cities enough taxing powers—including the power to tax the earnings of commuters—to pay for the extra costs imposed on them by outsiders, or provide the cities with general funds as a substitute. The federal government should, in turn, provide special grant funds—on a matching basis with the states—for use exclusively by the largest cities. It is still possible to save the cities, but unfortunately there seems to be little impetus anywhere to take the steps needed to prevent further decay and even bankruptcy in some places.

Utilization Test Survey Data For 591 CAA's

(January 1973)

Office of Operations, Office of Economic Opportunity

UTILIZATION TEST SURVEY

The new Community Action Mission Statement developed under the Nixon Administration made it clear that it is not enough for this program simply to spend Federal money for poverty programs. The relatively small OEO investment in CAAs and SEOOs is intended to help them mobilize or stimulate better use of other resources—both public and private. This concept had been in the EOA and OEO rhetoric all the way back to 1964, but it was not made broadly operational until the new Administration leadership turned OEO around from simply spending to mobilizng resources.

The new emphasis has also produced other positive results, including closer working relationships between CAAs and state and local governments, which offer genuine help in making the decentralization of government succeed during the next few years.

OEO recently initiated an experimental effort to determine the degree to which CAAs have mobilized non-OEO resources for the poor, or have gained other improvements in the way community resources are used to help the poor become self-sufficient. There is more work to be done in completing the first phase of this Utilization Test Survey. Reports submitted to Headquarters by OEO Regional Offices are still being analyzed, and some will need to be re-done. Both machine and hand analysis have been slow and imperfect under the difficult conditions of this experiment. The identification of outstanding individual cases of mission impact for detailed study to expand the technical know-how of all grantees, has yet to be accomplished. Nevertheless, there is now emerging for the first time a national picture of Community Action achievements in terms of the basic mission emphasized by this Administration.

Machine print-outs of the first broad profiles now include 591 CAAs. (The number should increase to about 850 by the end of January.) Even at this early stage in the project, the picture clearly shows that the Administration's re-direction of Community Action was on target. It is already producing highly constructive mission results in both urban and rural communities and the trends indicate that continued effort in this direction will produce substantially greater returns on a small investment.

Chart #1 shows the total resources mobilized by the 591 CAAs from 1965 to 1972, broken down urban and rural, but not by year. Of the $1.3 billion mobilized about $750 million was non-Federal. Another $200 million represents mobilization of the resources of other Federal agencies by local CAAs. Only 25% of the total represents local mobilization of EOA funds administered by other Federal agencies, such as Head Start and Title I Manpower. The bulk of funding under these programs is excluded from this study, since it is not considered a local mobilization achievement except in special circumstances which warrant that interpretation.

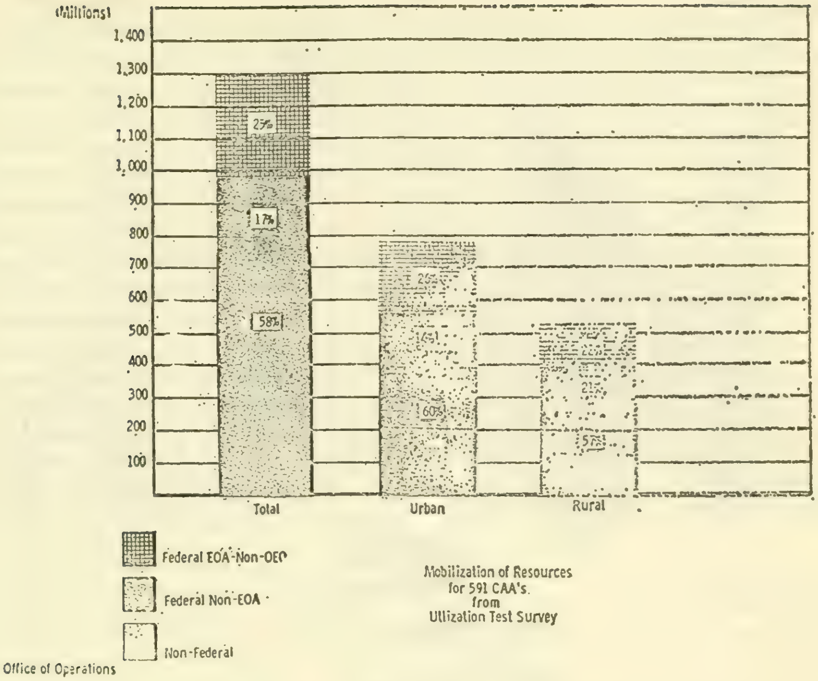


CHART 1

* * * Chart #2 includes 340 rural CAAs and Chart #3 covers 251 urban CAAs.

The extent of state and local government resources mobilized is most encouraging and indicative of the growing ties between CAAs and state and local governments.

Perhaps most surprising is the very substantial mobilization of business and industry resources, especially in rural areas. Total business resources amount to about $75 million.

Resources from medical and educational institutions total about $40 million and $56 million respectively, preponderantly in urban areas.

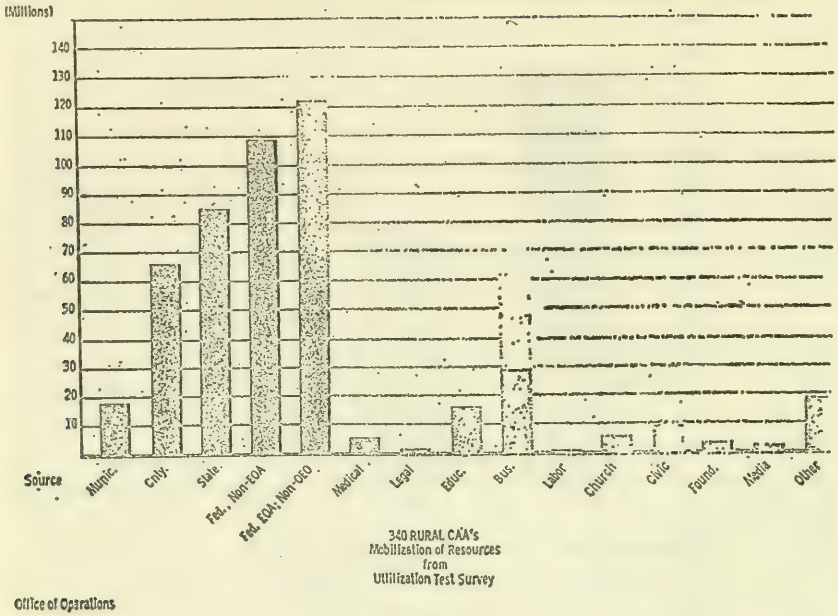


CHART 2

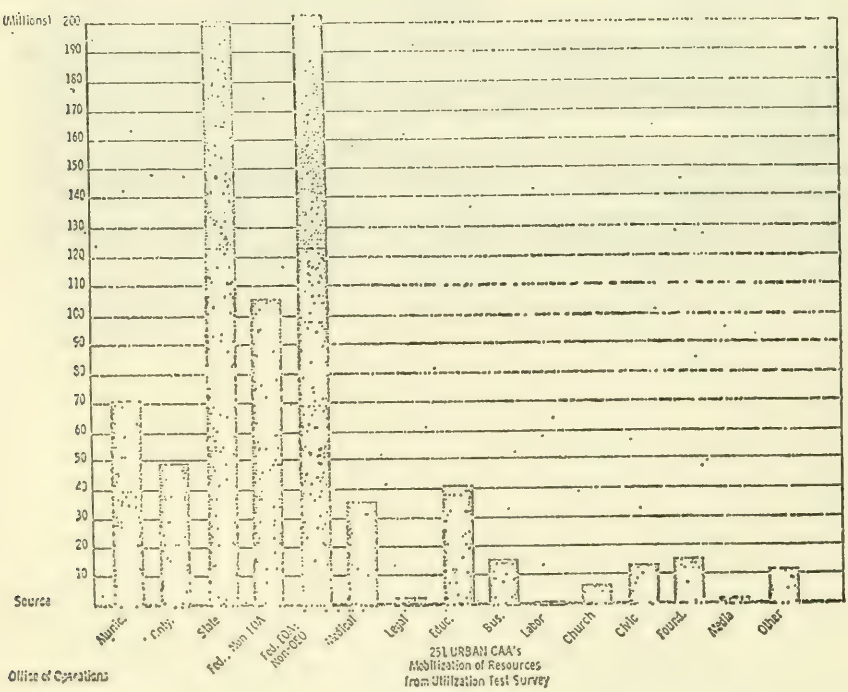
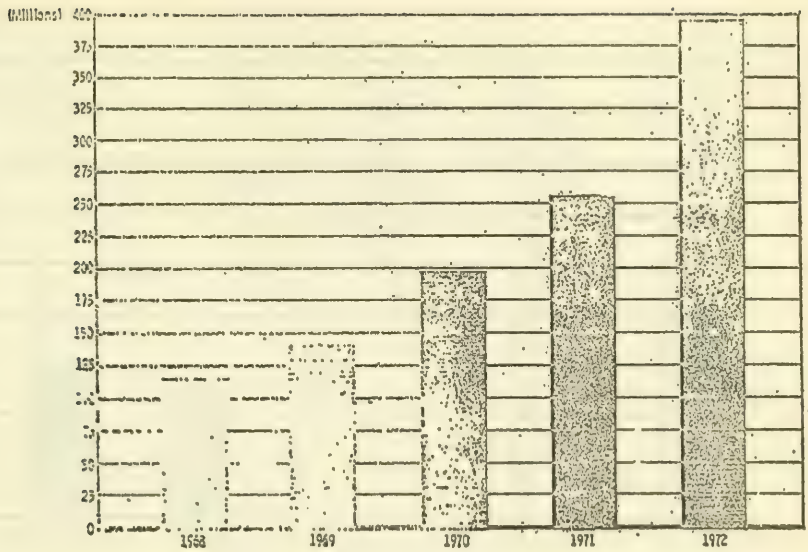


CHART 3



Mobilization of Resources,
for 591 CAA's
from
Utilization Test Survey.

Office of Operations

CHART 4

Chart 4 shows the total mobilization levels in these 591 CAAs for each year beginning with 1968. This time-span covers the period of program redirection by this Administration.

Efforts to strengthen CAA management and public officials' roles in local CAAs, plus a range of other program initiatives such as the pilot Resources Mobilization Grants helped move the level of achievement up in the early part of this period. But the basic shifting of gears under OEO's 1972–73 Community Action Strategy, is apparent in the accelerated growth of mobilization results in 1972.

The growth of mobilization results during the entire period has occurred without any increase in the CAA's basic Local Initiative grants.

Local Initiative grants and supporting activities such as T&TA totalled about $1.6 billion for the five years covered by chart 4. Since the 591 CAAs represent a broad national cross-section, it is fair to assume that they account for about ⅔ of the Local Initiative, or $1.1 billion.

Thus, the non-Federal resource mobilization alone amounts to almost 60% of the Local Initiative investment. Total mobilization from all sources exceeds the total Local Initiative funding in 1972.

It is important to note that the amounts shown here are *over and above the required 20% non-Federal share* which grantees must mobilize in order to obtain a Local Initiative grant in the first place. If we include this required mobilization, the non-Federal resources mobilized by CAAs equal almost 80% of their Local Initiative grants.

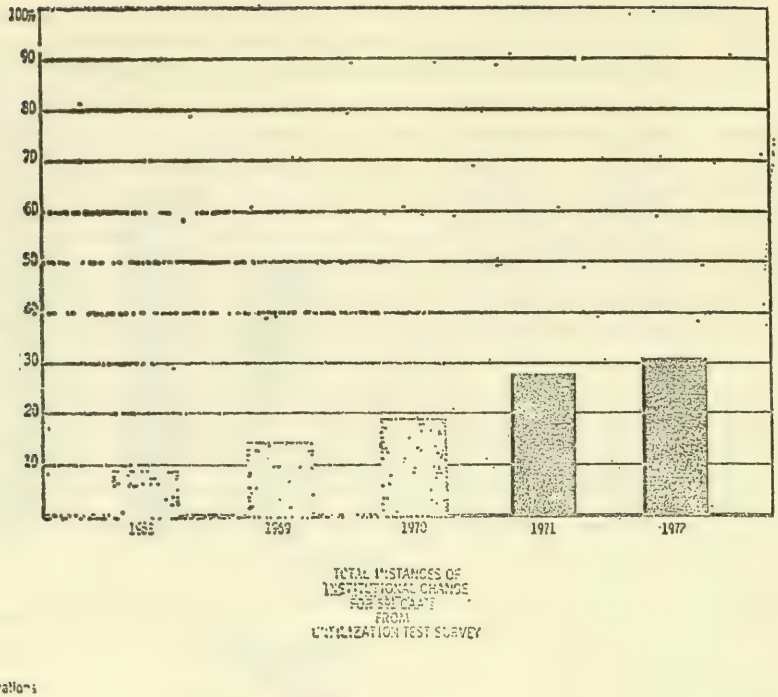


Chart 5

Chart 5 shows that the number of cases in which CAAs helped bring about constructive institutional changes has also been growing over the past five years. Each bar represents the new instances of change which occurred in that year.

Charts 6, 7 & 8 show the relative extent of different kinds of institutional change. Chart 6 deals with improved participation of the poor in Community Affairs; Chart 7 reflects improved employment practices; Chart 8 covers other program improvements, increased accessibility of services, and improved planning and coordination.

Improvements made by local governments account for 25% to 35% of the changes in every category. State governments account for another 10%–15% across the board. Thus, up to 45% of all the significant institutional changes occurred in state and local government.

Educational institutions were involved in 10%–20% of the changes. The business community shows a substantial responsiveneses, with 15%–20% of the improvements in employment practices.

The medical and legal professions were especially strong in improving the access of services to the poor and other programmatic changes shown on chart 8. They also show substantial improvements in participation of the poor, on Chart 6.

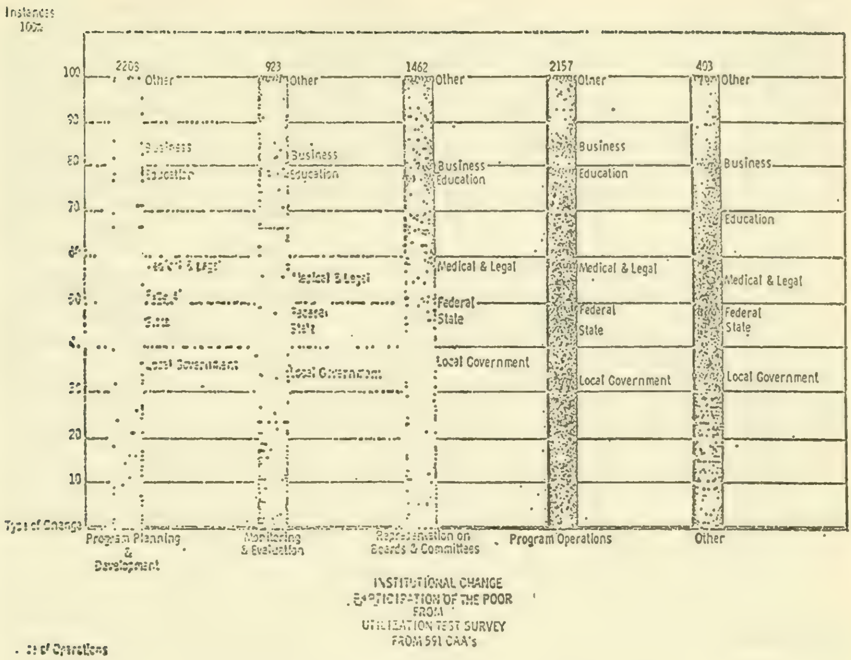


CHART 6

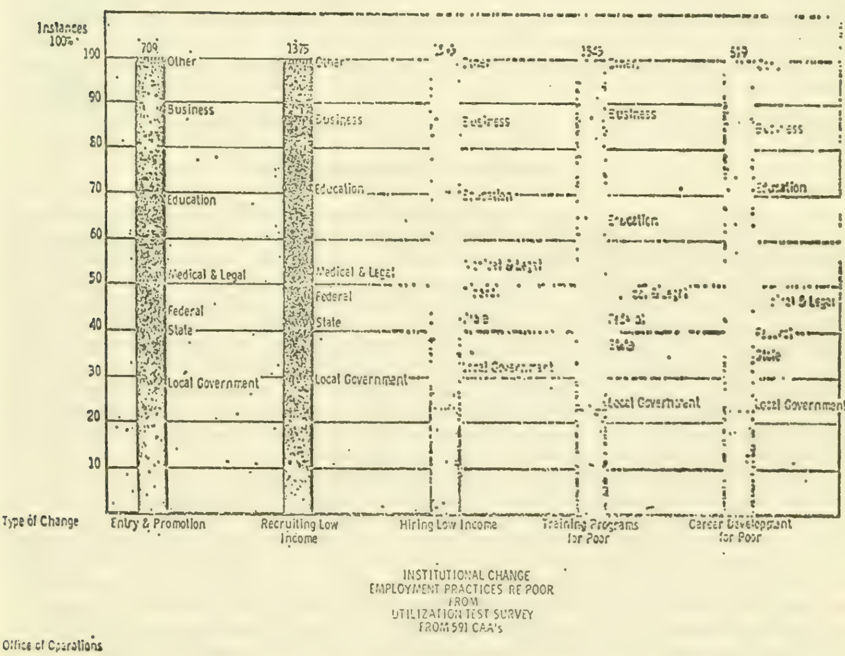


CHART 7

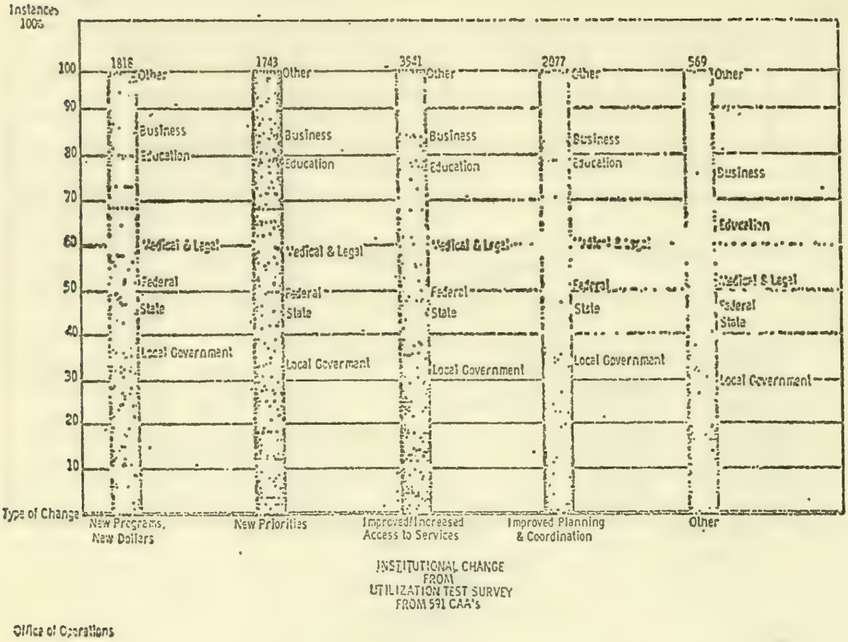


CHART 8

The total emerging picture of Community Action clearly shows that CAA's are rapidly becoming very positive forces in their communities, that can play significant roles in helping communities rise to the challenges of revenue-sharing and other forms of government decentralization.

While we must continue to refine and verify this data, the Federal government should also be thinking seriously about the immediate and long-range benefits to be derived from continuing to strengthen CAA as well as local government capabilities for effective problem-solving at the community level.

UTILIZATION TEST SURVEY

Scope

The Utilization Test Survey was directed toward the entire universe of 907 Community Action Agencies and 52 State Economic Opportunity Offices, all funded from the ten OEO Regional Offices. The instrument was designed to gain information on the present funding sources of all Community Action Agencies, their success in mobilizing resources for anti-poverty efforts other than the required non-Federal share for their OEO grant, to identify the sources that have been tapped and to indicate the amount of resources so mobilized as well as the type of program operation that benefitted. In addition, an attempt was made to determine the amount of Institutional Change which was brought about as a result of the Community Action program in each community by identifying the institutions involved, the type of change which occurred and information as to the approximate years in which changes took place.

It is intended that the data on resource mobilization and institutional change provide for both a quantitative and qualitative entry of information. Therefore, when a local agency in concert with the Regional Offices decided that a specific case of mobilization of resources or Institutional Change was significant enough to be reported, there was an opportunity not only to indicate that it was the county government, but provided an opportunity to specify in narrative what element of government e.g., the county health department. In addition to providing information as to the category of program to which resources or changes applied and the years in which they occurred, an opportunity was provided to indicate the techniques by which the effort was brought about and to describe the

significance of this particular instance of resource mobilization or Institutional Change. It was anticipated that both a computer analysis and hand review of the records would provide indicators of significant cases of resource mobilization and institutional change which could be targeted for further research, case study analysis, etc. Use of the Utilization Test Survey was in fact to be a specification of a certain number of cases which could be analyzed in depth and reported accordingly. Results of these analyses would then be translated into policy guidance, training and technical assistance materials, workshops and various types of training efforts in order to feed back to OEO Regional Offices and more importantly to local communities examples of how certain kinds of efforts were successful and how they might be replicated in other local situations.

Procedures

The survey was accomplished by OEO personnel. OEO Headquarters Office of Operations' personnel distributed the insrtuctions and instruments to the ten OEO Regional Offices and oriental all Regional Office Senior Staff and Field Operations personnel in the regions. Regional Office Staff oriented each grantee as to the purpose and nature of the survey and procedures to be used in completing the data requirements. With the guidance and assistance of Regional Office personnel grantees submitted original data to Regional Offices. Regional Office Staff completed the data forms, verified all data, included new data from other Regional Office personnel and records, and forwarded the information to OEO Headquarters in Washington. OEO Headquarters completed the computer processing of all quantitative data and hand analysis of nearly all narrative comments.

The decision on whether an instance of mobilization resources or institutional change was significant enough to be reported on the Utilization Test Survey was left to local perception, i.e., the perception of the grantee staff and/or other committee who put together the original data along with that of the Regional Office who was responsible for the product. Therefore, there are variations in what was reported both in terms of a rural CAA to urban CAA but within each of the types of CAAs involved. While this does provide some variation in significance patterns it does provide insight as to what was important in a particular local community context. Some institutional changes might have taken 3, 4 or 5 years to accomplish in one community and maybe only a matter of weeks or months in another community. It is difficult to assess whether or not the report does in fact have a slight variability. However, communities are of such a different nature around the country that the local significance test was the only one to which one could reasonably subscribe rather than setting up national criteria.

Limitations

The data is most accurate and complete only from 1968 and forward as it appears that at this point with the implementation of the 1967 EOA Amendments and the new OEO grant application process that records and personnel are both available to retrieve the facts on the data required. This refers to both grantee staff and to OEO Regional Office personnel.

In order to provide adequate time for the key punching and preparation of the data for computer processing as well as the validation of the data presented, it was necessary to stop data preparation after 591 CAA packages had been received from the Regional Offices. These data are not randomly selected throughout the country but on the basis of what reports were available at the time it was necessary to begin the computer operation. However, the 591 CAAs are spread reasonably well geographically across the country. It is important to note that through administrative error none of the Community Action Agencies represented in the State of New York, New Jersey, Virgin Islands or Puerto Rico from OEO's New York Region are contained in the computer analysis. This is unfortunate in that four of the 50 big cities are included in this region as well as several varieties of rural and urban Community Action Agencies. Their exclusion, however, does not invalidate the trends presented in the data, it merely adds a specific qualification. (This is particularly true due to the exclusion of New York City.) It is important to note, in addition, that over 40 of the 50 big cities *are* included in the 591 Community Action Agencies data which were processed by the computer.

Approximately 5 percent of the total data from the 591 CAAs was not accepted by the computer for print out. The reasons for the non-printout were primarily key punch error and data records input which did not match existing

computer data used to obtain the rural/urban information or matching grantee numbers which were on the computer file.

The 591 Community Action Agencies included in the study represent 340 rural agencies and 251 urban agencies. While this is a little bit larger proportion of rural to urban than is found nationally it is felt this breakout does in fact give us a fairly good picture of the totality of Community Action. The fact that over 40 of the 50 big cities are included in the 591 CAAs is also significant and gives us a good picture of the degree of urbanization of Community Action in the data represented.

Assumptions

A statement was required on each of the instruments submitted by the Regional Office for each Community Action Agency to indicate the process by which the data was derived. A sample of 10 to 20 agencies in each of the 10 regions indicated a process of broad participation of agency and community people participating in the appraisal of significant instances of mobilization of resources and institutional change, therefore it is felt that while institutional memory has eroded over the years that the survey reflects genuine and realistic efforts of a local agency to mobilize resources and bring about institutional change. It is also felt that this is a conservative estimate since it was based upon recall. Therefore while some overstatements may have occurred in some local agencies, the tremendous amount of understatement by a large number of agencies more than counterbalances the data. So the assumption is that the data basically reflects a minimum of what occurred and not a maximum.

Significance

The data from 591 Community Action Agencies does indicate significant trends in the mobilization of resources and institutional change brought about by Community Action. The direction of these trends, the quantities which are assigned to the various institutions and sources of resources as produced by computer analysis are definitely indicative of the state in which we find Community Action in 1973. It is more than a simple trend, it is a pattern which while possibly not correct in the absolute, is basically correct in the relative values assigned to institutions, types of change, sources of resources and amounts of resources secured.

The methodology employed in obtaining the data for the survey described above provides a manner of significant local input or local perception while simultaneously providing a balanced view of OEO Regional personnel in analyzing the records and current information on the agency held by the Regional Office. It contains both a measure of balanced input and completeness that would not be possible had it not been the product of the OEO Regional Office. While it is not assumed that every single item of resource mobilization was thoroughly validated, in the aggregate these data were validated. While it cannot be known to an absolute truth that the Community Action Agency did in fact cause a particular change in institutional behavior or responsiveness, in the aggregate it was assessed that these changes did occur as a result of the operation, existence and participation of the Community Action Agency in local community program efforts.

SURVEY FINDINGS

Mobilization of resources

The criteria for reporting resource mobilization was based on a test of local significance. It was not so much an amount of money which was generated from the private or public sector, but the significance of a particular effort or series of efforts. No non-Federal share for OEO or other Federal grants were to be reported, therefore the report of resources mobilized are all resources over and above non-Federal share rquirements. When we look at the total effort of the 591 CAAs it is significant to note that 58 percent of all resources came from non-Federal sources, that 17 percent came from other federal legislation, and that only 25 percent was attributed to other than OEO from the Economic Opportunity Act. (A previous sample survey of Community Action Agencies by OEO has shown that approximately 38% of their total operating budget is funded by OEO). These ratios are brought out in similar patterns reported by both urban and rural CAAs. While there were discrete differences in specific categories they followed the same basic trend. The total reported resources mobilized from 1966 through 1973 was equivalent to 1.3 billion dollars. These resources represented the acquisition of funds, space, equipment, manpower of either paid staff or

volunteer, training and technical assistance or an "other" category. It is important to note that a hand tabulation of nearly all of the CAAs utilized in the survey report that over 75 percent of the resources mobilized was *cash* i.e., contributions from private individuals, foundations, churches, civic and service groups, grants from state agencies, appropriations from municipal and county legislatures and grants from Federal agencies. This is a definite indicator that local Community Action Agencies have been receiving considerably more than "in-kind" contributions but have in fact mobilized a substantial amount of cash for anti-poverty work.

A second significant indicator is the amount of money which was mobilized in any given year. While it is recognized that the erosion of institutional memory and the lack of adequate records might have hindered reporting in some of the earlier years, it is significant to see a growth from $115,000,000 mobilized in 1968 to $396,000,000 mobilized in 1972.

Although the data is from only 65 percent of the total number of Community Action Agencies which received over $1.5 billion in local initiative funds it is significant to note that a substantial increase of resource mobilization has occurred in every year since the publishing of the OEO mission statement and the instruction on the purposes of Community Action dated November, 1970.

The accomplishments of Community Action Agencies mobilizing resources for programs to aid the poor show a significant increase for 1972 following the publication of the OEO mission statement for Community Action. The gradual increase from 1968 through 1971 shows a steady growth of 115 to 256 million dollars for the 591 CAAs included in the data for this portion of the survey, thus a growing capability to mobilize resources from the non-poor. The substantial increase from 1971 to 1972 from 256 million to 396 million dollars for the 591 CAAs indicates an invigorated effort in the years 1971 and 1972 to mobilize other resources toward anti-poverty programs. It is obvious that the President's program to curb inflation and improve the status of the United States economy had some influence on the availability of resources to be mobilized, however, it can be said that this period was also a time when Community Action Agencies were targeting their efforts to mobilize resources as well as generating community support. Therefore, due to the catalytic activities of Community Action Agencies significant effort in local communities in both the private and public sector as well as state government definitely showed a more responsive pattern to the needs of the poor.

A look at the sources of resources which were mobilized by Community Action Agencies shows several factors : 1) that municipal and county or local government have been extremely supportive of Community Action programs during the period reported. 2) that state government has been a vital source in providing funds for local anti-poverty work efforts supported by Community Action Agencies. 3) the Federal government does continue to be a very large source of resource mobilization for local agencies. While this is slightly higher in rural areas than in urban centers this might be as expected, but the fact that non-Economic Opportunity Act resources were mobilized for the benefit of the poor were in such a large percentage is extremely heartening as local communities have progressed to look beyond the Economic Opportunity Act for sources of funds to assist in programs to aid the poor. 4) medical and educational institutions or organizations in local communities were a high source of resources for the poor that were leveraged through Community Action. It is not too difficult to see the difference between urban and rural in these two categories where there are more sources of medical or educational money at the local level in the urban centers as opposed to rural areas. 5) the contribution by business and industry to anti-poverty efforts as mobilized by Community Action Agencies is highly significant. It was not as high in urban centers as one might have anticipated, on the other hand the urban centers have other programs sponsored by other Federal agencies directly with business for which a Community Action Agency is not responsible, therefore, it is not unusual to see a lower amount in urban centers for business contributions as in rural areas. The dollars mobilized by Community Action Agencies from business and industry in the rural sector is extremely heartening.

The 60-plus million dollars mobilized by 340 rural Community Action Agencies from business and industry showed a high degree of local participation and effort. 6) the small amounts mobilized by Community Action Agencies from legal organizations and associations and labor organizations is disheartening. It can be said, however, that since there is a national emphasis OEO Legal Services program that some of the legal support was obtained in this manner. It would

be hoped, though, that this particular area would increase in the coming years. The extreme low amount from labor can be partially explained by labor participation in the Manpower Administration programs which are not directly attributable to Community Action Agencies, however, even there, the total or absolute number of dollars is definitely low both for urban and for rural agencies. 7) contributions from churches and church organizations occurred relatively the same in both urban and rural areas, however, it must be noted that it is from churches that local agencies gain a considerable amount of non-Federal share in order to obtain their federal grant and since this report excludes non-Federal share the absolute number of dollars is low. It is hoped that a concerted effort with the church organizations of this country might increase the amount of private resources through religious bodies in coming years. 8) civic and service organizations played a significant role in providing resources over and above non-Federal share to anti-poverty efforts at the behest of local Community Action Agencies. The combination of resources from local government, state government, medical and educational institutions and organizations as well as the large level of business giving and the significant resources obtained from civic and service organizations shows a high level of commitment from the private and public sector at the local level. It substantiates that there is a large universe of local capability as well as local commitment to the problems of the poor. These data support that assumption and give credence to the value of local institutions working to provide solutions to the problems of local communities. And it shows that local CAAs specifically are valuable in-place capability for mobilizing community efforts and resources. 9) the support provided by foundations to Community Action Agency efforts in a community is realistically indicated by a larger level in the urban center versus the rural area but it does show a substantial amount of support to anti-poverty work.

Institutional change

The identification of the change and the behavior and practices of organizations and institutions in the community and beyond the community in relationship to the poor was provided by the Utilization Test Survey in five major categories: 1) increased participation of the poor occurring in the institution changed. 2) improved employment practices. 3) programs. 4) improved and/or increased access to poor to services or benefits. 5) improved planning and coordination. Thus, the survey sought not only to obtain information with respect to changes in the type and/or amount of participation of residents of the area and members of the group served by anti-poverty programs, but also the response of organizations or institutions to the needs of the poor as related to employment programs which served the poor. Not all of the community action agencies for which data is provided in this report were able to indicate significant changes in institutional behavior or responsiveness in *all* categories, however, this would not necessarily be expected. Sufficient change in the aggregate does show a definite responsive pattern of local institutions and organizations in regard to the problems or situation of the poor.

The category of improved increased access to services for the poor was most often noted by Community Action Agencies and Regional Office staff in the completion of this survey. The nature of change ranged from decentralization of services by local public and private organizations into neighborhoods which brought services closer to the poor to more responsive to the hours of operation of such services in order to better meet the needs of the poor.

Under the category of increased participation of the poor in the institution changed it was quite evident that participation in the planning, conduct and development of programs for the poor had received significant attention in communities served by these 591 Community Action Agencies. It is significant to note that of the some 22,000 instances of institutional change which were reported from the 591 Community Action Agencies, over 30 percent related to the increased participation of the poor in the institution changed.

Although the charts indicate the specific detail of the sub-elements under the major categories the important things to note are as follows: 1) in all cases the type of institutional change was related to local government at least 30 to 37 percent of the time. 2) changes occurred in educational institutions from 12 to 22 percent of all instances which were reported, 3) the impact upon state government while only 9 to 13 percent of the instances of change reported indicates that the CAA while a local institution was responsible for changes in context

beyond its local boundaries. (Analysis of the data of the State Economic Opportunity Offices of course will show significant increase in impact on state government).

An area of special interest in the private sector are changes which occurred in business and industry, as reported in the survey under employment practices. In nearly all categories changes occurred in at least 15% of all instances and at least 12 percent of the instances in the category titled other. This is important to note because an analysis of the narrative information indicate that these were not only just related to the poor, but in the "other" category specifically were the first time in the hiring of persons from a minority race.

The percent of instances of change attributed to medical and legal organizations and institutions was not as high as might be anticipated. This is particularly significant in light of the fact that under the area of mobilization of resources reported in the survey the program most often noted to which these resources were applied was in the medical category. While there was some cross-referencing between the resource mobilization effort and the institutional change which occurred the relative position of medical institution or organization is not as high as might have been assumed. One possible explanation is that the change was within the local departments of health rather than in private medical organizations/associations, causing the change to show up under the area of local government.

An analysis of the years in which changes took place shows a definite increase year to year over the last five years. In fact for every year since 1968 there has been a systematic increase of institutional change instances noted for every institution itemized on the Utilization Test Survey.

[From the Wall Street Journal, Feb. 6, 1973]

The New Sport: Budget Baiting

(By Richard P. Nathan)

(Mr. Nathan is a Senior Fellow at the Brookings Institution. He served in the Nixon administration as an assistant director of the Office of Management and Budget, and as Deputy Under Secretary of the Department of Health, Education and Welfare. An editorial on this subject appears today.)

President Nixon's budget for fiscal 1974 has sparked an unusual amount of strong criticism. The New York Times editorially called it "ruthless on social programs"; Senator Williams of New Jersey said it is "contemptuous of the needs of the American people"; Arthur Okun termed it "intolerable social policy," and one of his predecessors as chairman of the Council of Economic Advisers, Walter Heller, said it was "a fiendishly clever appeal to the worst instincts of the American people."

We need to ask ourselves—Can a $268.7 billion budget really be that bad?

As a former participant in the budget process at the Office of Management and Budget, I am disturbed by these broadsides. My own view is that while there are surely parts of any budget that an individual would differ with, there are many good features in the new budget. To understand it fully it is necessary to examine the setting, main ideas and some of its specific actions, particularly the social program reductions that have been so roundly condemned.

First of all the setting. The President faces an economic situation where restraint is necessary to avoid inflation. To apply this restraint, he has a choice between raising taxes or holding spending in check. The dilemma from his point of view, however, is a relatively easy one. If he asks to raise taxes, he would be doing so in large measure to finance the rapid growth (more than 20% a year in the last three years) of "Great Society" social programs, which in many instances he had sought to restrict or re-direct.

The President would, in effect, be asking for a tax increase to cover commitments he had not wanted to make, in the place of his own domestic initiatives which Congress did not enact. That he should put his budget plan in the form that he did as a challenge to Congress to make other cuts or raise taxes is quite understandable.

But even beyond these economic and political elements, the programs the President is cutting are, in many cases, activities which haven't proved themselves and should be questioned. Furthermore, it is useful to have periods when fiscal austerity is called for. Such a climate creates pressure to weed out entrenched, strongly supported activities that are not paying their way. It is particularly good to have these pressures come in periods of economic strength, such as the present, when employment and business levels are high enough to make the elimination or reduction of selected programs relatively less painful.

But the real test of the "social tolerability" or "ruthlessness" of the new budget is to examine the specific cuts the President has proposed. What would they do? Why were they selected? Take some of the larger ones, for example:

(1) Housing Freeze: The freeze on subsidized housing programs couldn't come at a better time in terms of the need for a penetrating reassessment of the social effects of these programs. New housing starts rose from 1.5 million in 1969 to 2.4 million in 1972. They are projected to remain high this year, with 270,000 of the new starts in 1973 accounted for by approved housing subsidies already in the pipeline. Many economists, in fact, are asking the basic question: Who gets this subsidy? Its incidence is believed in large measure to aid builders, bankers and developers. Outlays for subsidized housing will be $2 billion in 1974, even if we do not start another single subsidized unit. If these are supposed to be programs to aid the poor, then surely they need another look in terms of the efficiency of this spending. If they are programs to aid the housing sector (shelter subsidies only) then in periods of economic strength certainly they can be held back to let the private economy carry the main load.

(2) Emergency Employment Act: Elimination, or rather non-continuation, of this two-year program accounts for a saving of $670 million. The Washington Post lamented that this cut is hurting the poor because the program funds the concept of government as the "employer of last resort." But this is not what EEA does at all. Experience has demonstrated that these funds for states and localities are used mainly to employ people who the state, city or county otherwise would have employed out of their own funds. In other words, it means substituting, in effect, federal salary funds for state and local salary funds. Only a few jurisdictions that have really made an effort have assigned more than 10% of these jobs to disadvantaged persons who would otherwise be unemployed. In short, these EEA funds have been a disguised form of revenue sharing for jobs. Maybe a good idea. But with general revenue sharing now on the books at $6 billion a year for the next five years and with economic conditions improving, there is plenty of reason to question this technique, as well as the fact that it was only enacted for two years in the first place.

(3) Medicare cost-sharing: It appears that about $1 billion in savings are to be achieved by having Medicare beneficiaries pay a larger part of their hospital costs. This is more than Uncle Scrooge economics by a long shot. The theory, in fact, makes eminently good sense. One of the reasons medical and hospital costs have escalated so much faster than the general price level is that the market doesn't work well in this sector. Unless the physician and the patient have a stake in decisions, there is a natural tendency to hospitalize people for treatments that could be administered at home and others for longer stays than otherwise would be necessary. If the physician knows the patient does not face some economic costs for hospital services, neither he nor the patient have an incentive to hold off or to use less expensive home care. Frankly, co-pay and deductible features of this sort are probably the key to the solution of our current concerns about health care costs and financing. In any event, this is not just a way to pare down spending; there are serious and important policy goals involved as well.

(4) Impacted school aid: The administrations effort to cut $120 million for federal aid to school districts where there are salaried federal government employes living in tax-paying properties can only be applauded. Here is a good case where austerity may finally cause a cut in a supposedly social program that never was equitable.

(5) Hospital construction: There are two reasons for wanting to eliminate this $189 million activity. For one, hospital beds are *not* now in general short supply. They were when the program was adopted, but conditions have changed. Another and related reason is that today second-party financing (public and private health insurance) covers hospital construction costs. A special earmarked program is no longer needed.

(6) Local mental health centers: Here the phaseout ($63 million in 1974 and $74 million in 1975) is more controversial, but still defensible on serious policy grounds. Local mental health centers (515 are federally aided) were constructed with federal aid; now what is involved is havng them raise their own operating funds. The big problem with this program is its basic social inequity. It assists only about 15% of the total universe of need. The favored persons received a valuable public subsidy: others needing these services do not. It is one of the many social benefits that must be called into question, I believe, as the next phase of studying welfare reform.

(7) Improved management of welfare: This $592 million item is a step in the right direction if not applied too harshly. Welfare program management in many areas has become lax and highly error-prone. To improve the integrity of these systems, a step long overdue, will help build public confidence in government and in the long run, I believe, enhance chances for public acceptance of basic welfare changes to obtain greater equity, more adequate benefits, and true work incentives in welfare.

(8) Federal aid for libraries: The phaseout of these federal aid programs ($49 million in 1974 and $135 million in 1975) is sensible. Libraries simply are not a national government responsibility. Books usually stay in the community for loan purposes. This is a good case of a federal program that should be turned back to states and localities. In a period of good economic performance and with general revenue sharing going into effect, the time is ripe.

Other budget proposals—to upgrade medical care utilization reviews, to eliminate narrow higher education grants for favored disciplines and let students make their own decisions, and to reform duplicative and inequitable features of various veterans benefit programs—could be added to the list. They all deserve close, careful and systematic analysis.

But then the broader question also needs to be raised: What about the relative growth of the major sectors of the new budget? Is defense going up at the expense of social programs?

There is ample evidence that this is not the case. Despite the anguished reaction of many critics to the new budget, human resource programs are proposed to rise in 1974 under the budget *more* than the defense sector (8.06% vs. 6.06%).

This commentary has not in any way examined the positive side of the Presidents domestic agenda—the attempt to establish special revenue sharing funds to group and simplify social programs. (It should be noted that aid for schools with high proportions of disadvantaged students would be continued as part of education special revenue sharing.) Likewise, this article does not examine the health financing reforms the administration seeks, the doubling of funds for culture and the arts, the elimination of many small agencies to clarify governmental agency missions.

There are bound to be differences on these items as well as on the reduction items discussed earlier. The case is by no means open and shut. I, for one, had hoped the administration would take steps to continue to advance the basic concept of the Presidents Family Assistance Program. But the budget is a record size, a carefully shaped, conceptually consistent document which should not be dimissed as "all bad." Congress is properly challenged to shift priorities or raise taxes. Let us hope that Congress does its job well and asserts itself to handle these crucial decisions with an eye on the taxpayers' well-being as well as on programs that are no longer (or never were) carrying their share of the freight.

The New Federalism and Revenue Sharing: The Challenge of Domestic Policy Reform

By

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Fifteenth Annual Wherrett Lecture
On Local Government

Institute for Urban Policy and Administration
Graduate School of Public and International Affairs
University of Pittsburgh

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The New Federalism and Revenue Sharing: The Challenge of Domestic Policy Reform

I want to talk to you this evening about major elements of the domestic policies of the Nixon Administration.

First, let me say it is my view that the Administration has already taken far-reaching steps to bring about needed *reform* of the domestic programs of the Federal Government.

I owe it to you to make this point by citing better authority than myself.

The opening statement of a report in the *London Economist,* August 16, 1969, summarizes President Nixon's August 8 television address to the Nation on domestic policy as follows:

> It is no exaggeration to say that President Nixon's television message on welfare reform and revenue sharing may rank in importance with President Roosevelt's first proposal for a social security system in the mid-1930's . . .

The same report ends saying:

> . . . the chances are that most men, and most members of Congress, will in the end see that these major reforms are right for this time in this country.

President Nixon's August 8 television address to the Nation, to which these comments refer, included proposals for welfare reform, manpower training, revenue sharing, and the reorganization of the Office of Economic Opportunity.

Other editorial comments on the President's August 8 address made the same point, that something important is happening in the area of domestic policy reform.

The *San Francisco Chronicle* said of the President's welfare proposal:

> . . . the Nixon measure has the great advantages of being not only "noble in purpose" but also suited to the needs of the day and the will of the people.

The New York Daily News commented:

> Revenue sharing would be a giant step in the direction of dismantling the cumbersome apparatus that has grown up in Washington. It can't happen too soon to suit us.

The *Christian Science Monitor* called the President's proposals:

> A major watershed — socially, economically, and politically.

And the *Chicago Tribune* said:

> For 35 years, Presidents and Congress have been posing as the prophets who would lead the country's poor out of the bonds of poverty . . . unlike his predecessors, he (Mr. Nixon) offers an entirely new approach instead of merely trying to enlarge upon mistakes of the past.

Renewing our Governmental Institutions

When President Nixon presented his domestic program, he spoke of what he called a new federalism. This is not to say that the concept of federalism has changed; rather that it must be renewed; that basic reforms are needed today in the way our governmental system works.

The idea of divided responsibility is fundamental to the American governmental system. The Nation's founders believed that the existence of more than one point at which a citizen can affect his government breathes life into the idea of democracy and prevents any one institution from acquiring undue control over others.

Both the division of responsibility among the executive, legislative, and judiciary and the division among different levels of government have, over the years, assured a healthy pluralism in our national life.

Federalism — meaning the existence of different levels of government each responsible to the electorate — has three central virtues:

- It provides opportunities for *participation* by individual citizens in governmental processes.
- It permits *flexible action* to deal with different conditions and needs, consistent with the basic rights granted under the Constitution.
- It allows scope for *innovations and creativity* at whatever level citizens apply their energy to the task of government.

The need to reassess and reform our governmental systems at various times in history has long been recognized. Woodrow Wilson in 1908 said the relationship between the States and the Federal Government,

> is the cardinal question of our constitutional system . . . It cannot . . . be settled by the opinion of any one generation, because it is a ques-

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tion of growth, and every successive stage of our political and economic development gives it a new aspect, makes it a new question.

Just such a reassessment of the idea of federalism is necessary today because recent trends have downgraded its importance. The predominant direction of change in American government over the past three decades has been a movement toward central action. This can be traced to the need for a total national response to World War I, the depression of the '30's, and World War II.

Centralization has had good effects in many fields. But in recent years this trend has become so powerful that other problem-solving alternatives have been virtually overlooked. Public problems have more and more frequently evoked a new central government program and responsibility.

Former Senator Kenneth B. Keating of New York once characterized this pattern as *"the Washington reflex"* . . . "you discover a problem, throw money at it, and hope that somehow it will go away." The net result of too many "Washington reflex" actions has been the creation of problems of governmental rigidity and a loss of governmental flexibility.

In this context, the essential domestic policy objectives of the Nixon Administration can be stated as follows: to improve the capability of our governmental system while at the same time reinforcing the political values on which it is based.

While the goal may be stated in these general terms, the Administration's approach to domestic program reform should not be over-simplified. It is not merely to step aside and have the States and local governments carry heavier burdens. The Administration is saying in effect, that the Federal Government should do what it can do best — and should do it *well* — and that State and local governments should be strengthened to provide the services which they are able to administer on a basis which takes into account varying State-local conditions and needs.

For example, administering cash payments to the poor under uniform and equitable standards is a job which the Federal Government can do effectively, as evidenced by the long, successful history of the payment system under Social Security. On the other hand, providing services to people in need is typically a task which requires State and local talent and administrative capability.

It is this sorting out of governmental purposes and processes to identify areas for, and approaches to basic reform, that best summarizes the work of domestic policy officials of the Nixon Administration in its first nine months in office.

Let me try at this point to pull together the central themes or unifying ideas of the domestic program of the Nixon Administration. There are three:

(1) *Responsible decentralization.* The domestic policies of the Federal Government must be based on a current analysis of the appropriate roles of different levels of government and, in areas which are primarily State-local responsibilities, must support and strengthen leadership at the State and community levels in the solution of public problems.

(2) *A strong concern with basic systems' reform.* The Administration has embarked upon basic reform in areas of government which are major responsibilities of the Federal Government — for example, welfare, the draft, the Post Office, and the tax system.

(3) *An emphasis on the effective implementation of government policies.* Here, we are referring to management functions or to what might be defined broadly as the process of converting "good" intentions into good results.

Responsible Decentralization

The first of these themes is *responsible decentralization.* The Nixon Administration came to office with a determination to strengthen leadership at *every* level of government.

Revenue sharing is the keystone of responsible decentralization. Opportunities for flexible action and discretion by State and local governments have tended to diminish as federally conceived and funded matching grant programs have become increasingly important components of State and local budgets.

Under President Nixon's proposed revenue sharing plan, Federal funds will flow to State and local governments to be used for purposes which they determine to be of highest priority. The President's proposal calls for revenue sharing with a first full-year effect of $1 billion, rising annually to $5 billion in the fifth year.

Revenue sharing is an economic as well as political reform. At the same time that it strengthens federalism by broadening the grant-in-aid system, it modifies the Nation's total tax system, placing greater reliance on the growth-elastic Federal income tax.

Consider these facts:

- The traditional mainstays of State and local finances have been property and sales taxes. These taxes bear down most heavily on the poor and lag 40-50% behind the rate of growth in State-local expenditures.
- The mainstays of the Federal Treasury are the personal and corporate income taxes. These taxes tend to be more equitable and grow rapidly, as much as 25-50% faster than the economy.

The cumulative impact of this pattern of taxation is illustrated by recent experience with State tax laws:

- More than half of all State tax revenues during the 1950-67 period were the result of painful rate increases or the enactment of entirely new taxes.
- Over 200 rate increases were required in major State taxes between 1959 and 1967.
- More than 4/5 of the State legislatures which met early this year faced requests for tax rate increases.

Although it is more difficult, we also need to examine the expenditure side of the economics of revenue sharing. President Nixon said in his August 13 message to the Congress on revenue sharing:

> While it is not possible to specify for what functions these Federally shared funds will provide — the purpose of this program being to leave such allocation decisions up to the recipient units of government — an analysis of existing State and local budgets can provide substantial clues. Thus, one can reasonably expect that education, which consistently takes over two-fifths of all State and local general revenues will be the major beneficiary of these new funds.

Since education has been growing as a proportion of total expenditures, it seems reasonable to expect that this expenditure pattern will prevail over the next several years and that a major use of shared revenue will be for education.

Total State-Local Government
Direct General Expenditures, by Function
(Fiscal years. In billions of dollars)

	1964		*1968*		*Increase 1964-68*	
Function	*$*	%	*$*	%	*$*	%
Education	26.3	38	41.2	40	14.9	45
Highways	11.7	17	14.5	14	3.8	8
Public welfare	5.8	8	9.9	10	4.1	12
Health and hospitals	4.9	7	7.5	7	2.6	8
Police and fire protection	3.6	5	5.0	5	1.4	4
Parks and natural resources	2.9	4	3.9	4	1.0	3
All other	14.1	20	20.4	20	6.3	19
Total	69.3	100	102.4	100	33.1	100

Source: Bureau of the Census, *Governmental Finances in 1967-68,* August 1969, Table 3.

Besides revenue sharing, the Administration has initiated a number of important steps for the internal reform of the existing grant-in-aid system. This, too, is a part of responsible decentralization. In a message to the Congress on April 30, President Nixon described the existing grant system:

> The number of separate Federal assistance programs has grown enormously over the years. When the Office of Economic Opportunity set out to catalogue Federal assistance programs, it required a book of more than 600 pages just to set forth brief descriptions. It is an almost universal complaint of local government officials that the web of programs has grown so tangled that it often becomes impermeable. However laudable each may be individually, the total effect can be one of Government paralysis.

The grant-in-aid reform measures of the new Administration will reduce the rigidity which comes from attempting to make choices centrally which can be made better at other levels of government.

Grant-in-aid reform as a policy objective transcends political differences. The 1966 hearings of the Muskie and Ribicoff Senate Subcommittees on administrative reform produced information and data which led to many of the measures being taken in this area.

The Advisory Commission on Intergovernmental Relations has repeatedly called attention to the need for reform of the grant systems. In its 1969 Annual Report, it lamented the . . . "hardening of the categories (Walter Heller's term) in the immense and intricate Federal grant-in-aid system."

Examples of grant-in-aid reform measures undertaken by the Nixon Administration are:

(1) The President's April 30 legislative proposal to permit him to consolidate existing grant-in-aid categories if Congress, within 60 days, does not overrule an Administration proposal.

(2) The restructuring of the regional boundaries of the major domestic agencies in the field so that their headquarters cities are the same and the regions which they cover conform.

(3) Efforts through the budget and legislative processes to combine related grant-in-aid categories.

(4) The issuance of a Presidential Order on joint funding April 18, 1969.

Even more important, on March 27, 1969, the President directed the 10 Federal agencies represented on the Urban Affairs Council and the Bureau of the Budget to work together in a concerted effort to modernize the management of our complex Federal system of grants-in-aid to States and communities.

The effort is called the Federal Assistance Review (FAR). It has as its objectives streamlining and simplifying grant-in-aid program processes and structures and decentralizing their administration. In pursuit of these objectives, detailed studies are being made of each Federal grant-in-aid program. Executive departments working in this effort will use these analyses to design, test, and implement new approaches to speed and simplify the delivery of Federal programs. Despite the enormous complexity of this task, department and agency heads and we at the Budget Bureau are optimistic that this three-year effort will lead to significant improvements.

Reform of Major Program Systems

Closely related to this first theme of responsible decentralization is a second, ***an emphasis on the reform of basic systems.***

A consistent guidepost in formulating the Administration's new domestic program proposals has been a concern that new initiatives avoid the compartmentalized approaches of the past.

The Administration has focused on big targets — on the overhaul of major systems of domestic government.

This point is illustrated by its initiatives for grant-in-aid system reform, postal reform, the reform of the manpower system, draft reform, and most significantly — its precedent setting proposal for the overhaul of the Nation's welfare program.

For 35 years, the Public Assistance provisions of the Social Security Act have been in effect with few, if any, of what would be regarded as fundamental changes. The Aid for Dependent Children Program (AFDC) under which costs and caseloads have skyrocketed, has created serious social problems. In his August 8 address to the Nation, the President described AFDC as follows:

> What began on a small scale in the depression '30's has become a huge monster in the prosperous '60's. And the tragedy is not only that it is bringing States and cities to the brink of financial disaster, but also that it is failing to meet the elementary human, social and financial needs of the poor.

The Family Assistance Plan proposed by President Nixon to replace AFDC as we know it today is designed to: (1) place a national minimum on benefits; (2) cover all families on an equal basis, including those headed by a male; (3) strengthen work incentives; and (4) build stronger links between welfare and employment.

Taken together, the President's proposal for welfare reform and his recommendations to improve and expand the Food Stamp program reflect what I consider a major "sub-theme" of the Administration's domestic program — namely,

its decision to give emphasis to an *income strategy* as contrasted with a service strategy. In a real sense, an income strategy is a form of decentralization. It places ultimate responsibility in the hands of the individual citizen who is poor to make choices which will improve both the well-being of his family and his ability to pursue his individual job preferences.

The Family Assistance Plan reflects a strong emphasis on linkages between welfare and work and on job incentives. It requires all employable persons, excluding women with pre-school children, to accept suitable training or job opportunities. But it does not stop with this requirement.

If people are to be required to accept suitable training or work opportunities, they must have access to these opportunities. The President's proposals recognize this need by providing for expanded training and day care programs tied to welfare.

This linkage between welfare and work is to be further strengthened through the improved operation of the manpower system under the Administration's Manpower Act proposed to Congress on August 12, 1969. This Act is designed to reduce existing problems of duplication, fragmented program direction, and inflexible funding arrangements. When enacted, it will consolidate authority for major manpower programs in the Department of Labor and provide for flexible funding, sensitive to local needs, of manpower services. It will make possible a decentralized system in which governors and mayors play a major role in planning, coordinating, and administering manpower and related services.

More equitable allowances will also be provided trainees in programs tailored to their individual needs. Computerized systems will be developed to facilitate placement of individuals in jobs.

Domestic program proposals of the last nine months contain other examples of the determination to reform major program systems, rather than patch them up.

- The President's Postal Reform proposal of May 27 would remove the Post Office from the Cabinet.
- The proposed reform of the Selective Service system would reduce the period of prime vulnerability for young Americans from seven years to one year; and
- The tax system recommendations would make the code more equitable.

Emphasis on Implementation

The third major theme or purpose of the domestic program of the Nixon Administration is *an emphasis on policy implementation.*

The focus for governmental innovation is changing. The critical issues today are not so much what needs to be done as it is how domestic policies of the Government can be effectively carried out.

The challenge of improved management and coordination in Government is no simple matter and no claim can be made that the problems have been solved in nine months. But an important beginning has been made. At the highest levels of Government these steps include: (1) the formation of an Urban Affairs Council to assist the President in the development of domestic policy; (2) the creation of the Office of Intergovernmental Relations in the Office of the Vice President; (3) a strengthened Office of Executive Management in the Bureau of the Budget; (4) the creation of the Environmental Quality Council.

Agency structures have also received close scrutiny. The Manpower Administration of the Labor Department has undergone a major revamping and the function of the Office of Economic Opportunity has been revised to take greater advantage of its potential in the area of social program innovation.

The regional organization of the Federal government has also been modified. Acting on a proposal that has been discussed for more than twenty years, the President has directed the establishment of uniform regional boundaries and common headquarter locations for the major domestic program agencies.

The Federal Assistance Review, referred to above, is an additional indication of the Administration's intention to achieve effective implementation.

Domestic Policy Initiatives and Economic Policy

These three themes: *responsible decentralization, emphasis on basic systems,* and *effective implementation* are the building blocks of the new federalism. Their relationship to overall economic policy must be taken into account.

In order to concentrate the efforts of the Federal Government on those things it can do best and to avoid the dissipation of resources that comes from having the Federal Government do things that other levels of government can do better, what the President has referred to as a "predictable firmness" must be maintained in the budget process.

We are attempting to reduce narrow categorical programs that either may have served their purpose and are now of lower priority, or are not delivering services effectively. We are also endeavoring to combine smaller programs through grant consolidation and administratively through joint funding. Finally, it is the Administration's intention to avoid enactment of highly compartmentalized new grant-in-aid programs, which are regarded as unnecessary, in part, because of the opportunities for State and local innovation which will be generated by revenue sharing.

As a Budget official, it is appropriate to end this discussion with an overall assessment of the fiscal impact of the major domestic policy initiatives advanced by President Nixon. The significant fact about that Administration's domestic program is — not only that it charts new policy directions — but that it involves a substantial commitment of resources.

In their first five full years of effect, the Administration's welfare reform, Food Stamp, and revenue sharing proposals are designed to channel an estimated $40 billion to $45 billion of the Federal Government's growth dividend into the solution of the stubborn social problems of the poor and the alleviation of the fiscal problems of hard-pressed State and local governments.

Perhaps the most important point is that the Administration has not been satisfied with partial answers. It has advanced proposals which break new ground and involve a substantial commitment of resources. In so doing, we have put the question as it should be put. Will the Nation recognize the need for fundamental reform to provide direct and more effective solutions to the problems of the poor; to strengthen our Nation's total governmental capability; and to reinvigorate our citizen-oriented federal system?

[From the New York Times, Oct. 10, 1970]

Reforms of the New Federalism

(By Richard P. Nathan)[1]

President Nixon comes to office at a time when many Americans are frustrated that their governmental institutions are not working properly. This frustration is grounded in concerns (often legitimate) that old-line public agencies lack direction and imagination; that urban decay is all too often exacerbated by governmental efforts; that programs for the poor are badly designed, inequitable, and frequently promote dependency; and finally that the present scatter-shot pattern of Federal aid programs sows confusion and reaps disappointment.

Such complaints are not limited to the young. Little noted in the press, there has been a quiet groundswell of informed opinion over the past decade that our governmental machinery for domestic affairs is in need of overhaul.

It is in this context that President Nixon said in October, 1969, that the "watchword" of his Administration would be "reform." Many of the reforms he has advanced have strong bipartisan support from members of Congress, mayors, and governors.

The heart of the domestic policy reforms of the Nixon Administration is the re-establishment of political values of American federalism—tolerance of diversity, flexibility in public problem-solving, capacity for innovation and change, and broad participation in the political process.

President Nixon's approach to domestic reform has been summarized under the phrase, "the New Federalism." This approach has three essential elements: (1) to sort out and clarify governmental responsibilities among levels of government; (2) to improve the performance of those tasks which clearly belong to the central government; and (3) to strengthen the capacity of state and local governments in functional areas in which decision-making and administration are primarily their responsibility.

The $4 billion Family Assistance Act (keystone of the New Federalism) fits comfortably into this framework. So does revenue sharing ($5 billion a year in five years) and the Administration's proposed comprehensive manpower act.

These three proposals were contained in President Nixon's August 8, 1969, address to the nation on domestic policy when his New Federalism approach was first announced. Writing about the President's speech shortly afterwards, the *London Economist* compared it in significance with President Roosevelt's first proposals for a social security system in the mid-1930's.

Welfare is an area in which a stronger role for the central government is clearly appropriate. Over the past three decades, centralization of the income maintenance function has occurred in all of the major federal systems in the world. The spillover effect of poverty across state lines and the economies from administering welfare with the aid of modern data processing technology are major reasons for this realignment of function.

The other two proposals in the August, 1969, address—revenue sharing and the comprehensive manpower act—are designed to enhance the leadership capacity of state and local governments.

The Federal Government is in the best position to equitably and efficiently transfer resources for the support of individuals, as under Social Security and welfare. But service functions (like education, manpower, family services) are much more complex. They vary with local conditions and needs. While Federal financial assistance is, and should be, provided for service programs, primary responsibility for their *design* and *administration* cannot be lodged in Washington. The Administration's objective in many service program areas has been to bring about "responsible decentralization."

Management reform at the Federal level is another key element of the New Federalism; it is required to achieve the Administration's substantive reform and decentralization policies.

The Domestic Council and the Office of Management and Budget have been established to enhance the capacity of the Executive Branch to formulate major purposes intelligently. The entire management of the existing $28-billion of Federal aids to states and localities is being overhauled.

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[1] Richard P. Nathan is Assistant Director of the President's Office of Management and Budget.

Taken together, the substantive reforms of the Nixon Administration (such as the income strategy and revenue sharing) and its managerial initiatives constitute a broad redirection of domestic policy.

The significance of the Administration's domestic policy is not only that it charts new directions. It also involves a substantial commitment of resources. In their first five years of effect, the Administration's welfare reform, food stamp, and revenue sharing proposal are designed to channel $45 billion into meeting the stubborn problems of the poor and alleviating the fiscal crunch on state and local government

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BROOKINGS STUDY—MONITORING REVENUE SHARING

PROJECT PROPOSAL OF THE BROOKINGS INSTITUTION

(November 27, 1972)

by receiving a regular and essentially unconditional share of federal tax revenues. Because this is a governmental experiment of first order significance for American federalism, intended to shift control over domestic policy initiatives, special importance attaches to assessing its political and economic impact. Accordingly, this is a proposal to monitor the five-year revenue sharing program enacted by the Congress and approved by the President in October 1972. The products will be (1) an annual publication assessing the politics and economics of revenue sharing for the year covered; (2) a comprehensive report on the impact of revenue sharing at the end of five years; (3) an annual conference of experts to review the practical benefits and limitations of the revenue sharing experience; and (4) the creation of a network of communicators at the state and local levels to gather data on revenue sharing

Background

Questioning the appropriateness of national government spending for domestic purposes has not had much political payoff in the United States since the New Deal. If, however, the Depression experience legitimized the idea of federal spending for the general welfare, it settled neither how much to spend nor how to spend. There has been a continuing dispute over whether the national government's possession of a money-making machine—the graduated income tax—carries with it exclusive control over the product of the machine. Because it has been so successful as a revenue raising device, there has been a constant fear that the federal income tax operates as an irresistible force for centralization in domestic government.

State governments rely most heavily on sales taxes; local governments rely most heavily on the property tax. Both respond basically in proportion to income. As a result, state and local tax receipts have not kept up with the growth in public expenditures which typically have risen at a much faster rate than the growth in income. At the local level especially, frequent rate increases have stimulated legal challenges to reliance on the property tax, a development that further increases the pressure for developing other revenue sources.

Federal grants-in-aid to the States have proved to be a practical way to make use of the superior revenue-raising ability of the Federal Government for domestic purposes. But at the same time they have resulted in diminished state and local decision-making authority. In the last decade alone, the number of appropriated formula-grant programs doubled and the number of project grants tripled. Federal categorical aid to state and local governments was $6.7 billion in 1959; it will be about $39 billion in 1973. Thus, categorical grants, created for specific and often relatively narrow purposes, have come to be used in increasing number and increasing amounts.

Several important noncategorical sources of federal aid to state and local governments have also helped to redress fiscal imbalance. Deductions under the federal income tax of more than $31 billion in state and local taxes enhance the taxing capacity of state and local units at a cost of about $8 billion to the federal government. Furthermore, exemption from federal tax of interest on state and local bonds reduces the cost of state and local borrowing, resulting in a federal revenue loss of approximately $2 billion.

The great recent push, however, has been in another direction, that of unrestricted, direct federal grants to states and localities—revenue sharing. Iron-

ically, when the proposal for revenue sharing was first put forth in 1964 by Walter Heller, then chairman of the Council of Economic Advisers, it was viewed especially in the context of national fiscal policy. A federal tax cut, accomplished earlier that year, had been designed to curtail so-called "fiscal drag," the retarding influence on the economy resulting from the automatic increase in federal receipts that accompanies economic growth. "Fiscal drag" can be offset by tax reductions that stimulate the private sector of the economy; it can also be offset by increasing federal expenditures. Heller argued that "fiscal drag" would be a continuing problem in economic policy and that, after tax reduction, the appropriate next step to reduce its impact was to stimulate the public sector through unrestricted federal grants to the states. (Joseph Pechman of Brookings served as chairman of a Johnson-appointed Task Force that considered the proposal and recommended its adoption.) But revenue sharing did not come to pass during the Johnson administration. "Fiscal drag" ceased to loom large as the cost of the Vietnam war effectively kept pace with increases in federal receipts.

A different view of the revenue-sharing was held by advisers to President-elect Nixon in 1968. They embraced revenue-sharing more for its merits as a way of redistributing political power than as an element of national fiscal policy. The November 29, 1968 Report ("Not for Public Release") to the President-elect from his Task Force on Intergovernmental Fiscal Relations stated: "The most important proposal put forward in this report—and one which could demonstrate a strong commitment of the new Administration to basic reforms of federal government domestic program—is the inclusion of a *revenue sharing* program in the FY 1970 budget."

Terming "responsible decentralization" the basic objective of reform, the Task Force proposed "*moving away from the current strong reliance on particularistic and highly structured federal grant-in-aid instruments and emphasizing instead new approaches which seek to strengthen the political structure and enhance the responsiveness of American federalism.*" According to the Task Force, the most significant step to be taken by way of demonstrating "commitment to basic reform of the delivery system of the Federal Government for domestic public services" would be a recommendation in the executive budget for revenue sharing with state and local governments.

Thus, the revenue sharing idea that grew out of a concern about "fiscal drag" on the part of the advisers of President Johnson was adopted by advisers to President Nixon as a way to achieve political-policy objectives rather than economic-policy objectives. The new President himself put the case for revenue sharing in strong political-policy terms when he urged approval of revenue sharing, a key element of his "New Federalism" program, in an August, 1969 message to Congress. Tracing the flow of power from the cities and states to Washington thought the Depression years when an energetic national government seemed the sole instrument of national revival, and through World War II's necessary expansion of the Federal Government to marshal the nation's energies to wage war on two sides of the world, Mr. Nixon found the current picture different: "Today, however, a majority of Americans no longer supports the continued extension of federal services. The momentum for federal expansion has passed its peak; a process of deceleration is setting in . . . The loss of faith in the power and efficacy of the Federal Government has had at least one positive impact upon the American people. More and more, they are turning away from the central government to their local and state governments to deal with their local and state problems . . ."

The President characterized the current grant-in-aid system as one of staggering complexity and diversity. According to his bill of particulars, the rapid growth in federal grants has been accompanied by overlapping programs; distortion of state and local budgets; increased administrative costs; program delays and uncertainty; decline in the authority and responsibility of chief executives; and creation of new and frequently competitive state and local governmental institutions. Finally, Nixon said, "experience has taught us that [a gathering of the reins of power in Washington] is neither the most efficient nor effective way to govern."

In the end, then, it was the political-policy objective that made revenue sharing a reality. While the Democratic Congresses of the 1969–1972 period could not easily accept the Republican President's rejection of the New Deal-Fair Deal-New Frontier idea of social improvement through categorical federal spending,

those Congresses had to face determined and well-organized groups of state and local public officials demanding unrestricted financial assistance. By April, 1972, the House Ways and Means Committee had capitulated. Two months later, the House passed the general revenue sharing bill. The Senate followed suit in September. On the Senate side, the Finance Committee's report held that "present Federal aid leaves a significant gap in the financial assistance provided to state and local governments . . . because the amount of the present aid programs generally are of the categorical type and often do not provide for the most pressing purposes." Although the Senate version subsequently passed would have favored relatively less populated, rural states, and the House version the more populated, urban states, the bill as enacted allows each state to choose the larger of the allocations. Two-thirds of the funds allocated go to localities; one-third to the States. With an automatic pay out provision under the "State and Local Government Fiscal Assistance Trust Fund", the legislation assures payment of $30.2 billion over five years ending December 31, 1976. That result reserves to be characterized as a fundamental change in intergovernmental relations.

The questions that remain are also fundamental—the effects of revenue sharing on state and local government decisions and on the leadership roles of the various governments in the federal system.

Project objectives

The project proposed here will observe, analyze, and report on the consequences of distributing $30.2 billion of federal revenue to state and local governments. It wil lbe especially, but not exclusively, concerned with the impact of general revenue sharing in five areas:

1. *Spending decisions.*—What are the priority expenditures for state and local governments under general revenue sharing? How do these priorities compare with priorities fixed by federal domestic spending policies? What effect does revenue sharing have on state and local tax policies? Does general aid become a substitute for or an addition to state and local taxes? How are these decisions made?

2. *Distribution.*—Is the distribution of general aid reasonably equitable between urban and rural, rich and poor communities?

3. *The machinery of government.*—Are the recipient governmental jurisdictions organized to permit central direction in assessing priorities and implementing programs? What effect, if any, does revenue sharing have on the machinery of government for these purposes? To what extent does general aid overcome President Nixon's concern that categorical aid resulted in new and frequently competitive state and local governmental institutions?

4. *State-local relations.*—What is the effect of revenue sharing on the leadership role of the states in key areas of joint state-local responsibility? What use do states make of the authorization for them to legislate optional formulas for distributing local government funds?

5. *Federal initiatives.*—What are the effects of general aid on federal government spending, particularly as regard existing and newly proposed grant-in-aid programs? Will general aid serve as a substitute for increases in present grant programs, or as a justification for phasing out or eliminating particular types of federal grants.

Collection of data

The collection of data for this research will be facilitated by the statutory requirement that state and local plans for spending revenue sharing funds be reported to the Treasury Department and published in newspapers of general circulation within the geographic area of each recipient governmental jurisdiction.

A unique feature of the project and a second major source of data will be the participation each year of 20–30 field observers in selected states and localities across the country. Guided by the five-part framework set forth above, political scientists, economists, journalists, and lawyers will be employed to supply statistical, observation, and interview data to the project leaders. These same observers will be invited to participate in the annual conference on revenue sharing.

All of the available data—Treasury, Census, budget, field observations and interviews, press accounts, and conference records on experience with revenue sharing—will be used in preparing the annual analytical report on experience with revenue sharing. Published as a Brookings staff paper, we will use the

annual review of the federal budget, *Setting National Priorities*, as a model. The revenue sharing report—which may be called, *Revenue sharing: Setting State and Local Priorities*—would offer an analysis of the uses of general aid, the alternatives considered, the decisions made, and overall would assess the political and economic impact of this important new policy instrument.

In the actual conduct of field research, we do not anticipate being able to identify discreet bundles of revenue sharing funds that are treated separately and in addition to all other revenues accruing to state and local governments. Revenue sharing dollars are indistinguishable from other dollars: all are green. It is not feasible to contemplate a research project that would isolate revenue sharing payments and trace their uses by state and local governments exclusive of other resources. It is practical, however, in assessing the economic impact of revenue sharing, to compare total resources with and without revenue sharing, to compare tax effort before and after revenue sharing and to trace tax effort from year to year as revenue sharing becomes a planned-on aspect of state and local resources.

Despite this fungibility problem, the federal statute, as already noted, requires beneficiary governments to report separately their plans for spending general aid. A major part of the research effort will be directed at examining the ways in which this reporting requirement is met. Mayor Lindsay, for example, has already announced that revenue sharing will be used to add several thousand patrolmen to the New York police force. While it is unlikely that even the Mayor knows whether these additional patrolmen would have been added in any case, revenue sharing has provided him an opportunity to announce a decision about priorities without having to explain past practices that reflected a different judgment.

It is not possible at this stage to spell out details of the survey instrument that will be used by the field research correspondents who will be designated "Revenue Sharing Project Associates." We do not expect to use a questionnaire that can be responded to fully in simple affirmatives, negatives or other specific values, lending themselves to quantifiable results. At the same time, it would not make sense to rely fully on open-ended responses from which general observations could then be developed only with difficulty, if at all. Using these broad limitations in the design stage, it is clear that the critical subjects which should be covered in the questionnaire include: (a) public reports and related information about the uses of revenue sharing funds; (b) the process by which decisions were made about plans for and uses of shared revenues; (c) the range of alternative possibilities, both those considered and those not considered; and (d) the extent and ways in which shared revenue can be related to principal spending decisions, patterns of executive leadership, and important changes in governmental structure and operations.

Field research data will be obtained from the Revenue Sharing Project Associates in 20–30 selected locations. To select the states, counties, and cities for initial study, we will create clusters of revenue sharing recipient jurisdictions with similar characteristics. Each cluster will include a number of states, counties, or cities matched generally for size, geographical location, wealth, and where appropriate, governmental form. We would then randomly select one or more places for inclusion in the sample from each of the clusters. If it becomes apparent that it is not practical to use or stay with a particular jurisdiction selected, a replacement would come from the cluster from which the original jurisdiction was chosen.

The total number of clusters will be a reflection of the available budget. For present purposes, we are assuming an average of 20 man-days in 20 jurisdictions. It is clear that the job envisioned should be able to be accomplished in some jurisdictions in less than 20 days. On the other hand, it would be unwise to assume that even a quite precise survey instrument can be completed for a major metropolitan center in less than this amount of time. We expect to ask the Project Associates to work in short, pre-scheduled periods under a quarterly reporting system.

In addition to field reports from the Project Associates, present plans call for at least three in-depth case studies on the impact of revenue sharing in a state, a city and a county. The persons selected to do the case studies would be involved for a larger proportion of their time (perhaps as much as one-half) and would not be asked to submit their material until the second year of the project. The intention is to include as chapters in the second and subsequent

annual reports a separate analytical case study chapter on each of the areas selected for this purpose. Unlike the rest of the report, the treatment of his material would be to describe conditions in specific places as contrasted the use of the field research data for drawing general conclusions in the overall analytical sections of the annual report.

Personnel

The project will be carried out under the direction of Richard P. Nathan, a Brookings Senior Fellow. Dr. Nathan, an expert on revenue sharing, served as chairman of President-elect Nixon's pre-inaugural Task Force on Intergovernmental Fiscal Relations in 1968, during which period he was also a staff member of the Brookings Institution. Dr. Nathan left Brookings when President Nixon was inaugurated in 1969 to become Assistant Director of the Bureau of the Budget (later the Office of Management and Budget). From September 1971 until November 27, 1972, when he returned to Brookings, he was Deputy Under Secretary of the Department of Health, Education, and Welfare. He will be joined on the project by a Research Associate at Brookings, and by the network of field research Project Associates described above.

The Brookings Institution is an especially suitable place to house this project. It maintains extensive contacts at the federal level with congressional, administrative, and executive office personnel, and with associations of public officials, as well as with the staff and chairman of the Advisory Commission on Intergovernmental Relations. (Robert Merriam, chairman of the Advisory Commission, serves also as Chairman of the Visiting Committee to the Brookings Governmental Studies Program.) In addition, the Institution's staff maintains close ties with academics throughout the country. Dr. Nathan will also consult at Brookings with the strong public finance and fiscal policy group including Joseph Pechman and Charles Schultze, as well as the policy analysis group within the Governmental Studies Program.

[News release from the Brookings Institution]

Brookings To Sponsor 5-Year Study of Revenue Sharing

(December 24, 1972)

SUMMARY

WASHINGTON, D.C.—How American cities and states use the $30.2 billion they will receive under the federal revenue sharing program over the next five years is the subject of a new study announced today by the Brookings Institution. The project will be directed by Richard N. Nathan, a senior fellow in Brookings' Governmental Studies program, assisted by twenty observers examining conditions in about twenty states and fifty local governments. They will aim to provide a continuing public assessment of what Nathan considers to be an "experiment of first order significance for American federalism."

A grant of $230,000 from the Ford Foundation will support the study for the first two years.

The study will monitor five broad aspects of revenue sharing and its impact on state and local governments:

How does revenue sharing affect the spending decisions and tax policies of those governments?

How fairly is the money distributed between urban and rural, rich and poor communities?

What effect, if any, does revenue sharing have on the machinery of state and local governments and their ability to set priorities and follow through on them?

How does revenue sharing affect state-local relations and state leadership in key areas of joint responsibility?

What happens to other federal initiatives, particularly current and proposed grant-in-aid programs?

In describing the research, Nathan stresses that it is not possible to isolate revenue sharing payments from all other state and local government revenues and trace their uses separately. Careful on-the-scene investigation must be combined with statistical analyses comparing such data as total resources with and

without revenue sharing, tax effort before and after revenue sharing, and tax effort from year to year as revenue sharing becomes a built-in part of state and local resources.

A unique feature of the project will be the participation of twenty field observers in selected states, counties, and cities. These observers will supply data to the project leaders and participate in an annual conference on revenue sharing to be held at Brookings. Nathan also expects to provide a clearing house for information on experience with revenue sharing throughout the country.

Under current plans, data from the field observers, annual conferences, materials from the U.S. Treasury, Census Bureau, and other agencies, and press and other accounts will be used to prepare annual reports on revenue sharing. To be published as Brookings staff papers, these reports will analyze the uses of general aid, the alternatives considered, and the political and economic consequences of decisions made.

At the end of the five-year period specified by the revenue sharing law, a comprehensive assessment of the whole experiment will be developed.

Richard P. Nathan served as chairman of President-elect Nixon's preinaugural Task Force on Intergovernmental Fiscal Relations in 1968, at which time he was also a staff member of the Brookings Institution. He left Brookings in 1969 to become assistant director of the Bureau of the Budget (later the Office of Management and Budget). From September 1971 until November 27, 1972, when he returned to Brookings, he was deputy under secretary of the Department of Health, Education, and Welfare.

Nathan will be joined at Brookings by Allen D. Manvel, a consultant specializing in government finance and statistics. Manvel brings to the project long experience in both state and federal government. He served for twenty years as chief of the Governments Division of the Bureau of the Census.

The Brookings Institution is an independent organization devoted to nonpartisan research in the social sciences. It maintains continuing contact with federal legislative and executive staffs with associations of public officials, and with organizations such as the Advisory Commission on Intergovernmental Relations. The revenue sharing project will also draw on Brookings specialists in public finance and fiscal policy as well as in social policy and intergovernmental relations.

THE BROOKINGS INSTITUTION

"Monitoring Revenue Sharing"

LIST OF QUESTIONS TO BE ANSWERED BY FIELD RESEARCHERS FOR THE FIRST SEMI-ANNUAL REPORT

I. Individual-government information

Part A. Preliminary background

1. Please summarize your view as to the general fiscal status and prospects of this jurisdiction, *pre-revenue sharing*, with supporting illustrative background. We do not expect a full review and projection of trends in revenue expenditure, or debt, but rather an indication of whether, and why, you believe this government has been under extreme, only moderate, or relatively little pressure to meet its financing requirements. You should cite evidence for your appraisal of recent fiscal conditions—for example, in the case of a difficult budgetary situation, such factors as rising uncontrollable costs, recent important new taxes or tax-rate increases, growing tax delinquency, extensive short-term borrowing, voters' rejection of proposed bond issues, major pay-rate controversies, etc. Or with a more favorable situation, cite whatever facts support your summary characterization of this government's fiscal condition.

2. Your statement should also indicate, on at least an approximate basis, the percentage relation of the initial annual revenue sharing entitlement of this government to its total budget (including capital outlay and debt retirement as well as current expenditures) for its present or last-completed fiscal year (specifying which), and to its tax revenue for that year.

Part B. Financial information

1. (*a*) Indicate the *publicly stated* uses of revenue sharing funds for this government, noting whether such announced uses account for all or only part of its entitlements under the program for (*a*) calendar 1972 and (*b*) the first half

of 1973. To the extent possible, report according to the allowable purposes listed for local governments in the revenue sharing law. These are: Maintenance and operating expenses for—

(*a*) Public safety (including law enforcement, fire protection and building code enforcement),

(*b*) Environmental protection (including sewage disposal, sanitation and pollution abatement),

(*c*) Public transportation (including transit systems and streets and roads),

(*d*) Health,

(*e*) Recreation,

(*f*) Libraries,

(*g*) Social services for the poor or aged, and

(*h*) Financial administration; and

"Ordinary and necessary" capital expenditures. (Report by function, if possible).

(*b*) What particular functions of this jurisdiction seem likely to benefit most significantly—i.e., with the largest *proportionate* increases in financing from the initial revenue sharing? Do these effects seem large enough to alter materially the traditional "expenditure mix" as among various functions?

2. To what extent, and in what way, does it appear that these announced uses for revenue sharing funds were substantially decided upon prior to the final stages of Congressional action on revenue sharing? (Use as a base point July 1, 1972.)

3. Indicate which of the various expenditure applications of revenue sharing funds reported in item B–1 represent, in your judgment (a) spending for new or expanded activities that would have not been undertaken without revenue sharing and (b) spending for activities that would likely have been undertaken and financed in any event. Please develop and provide pertinent background data (e.g., as to expenditure levels and trends) to support your categorization of various items.

4. If "publicly stated uses," as reported in item B–1 and subsequently discussed, do not account for substantially all of the government's initial 18-month entitlements, please provide whatever observations you can as to possible or probable applications of the remaining sums involved.

5. Were any major taxes raised or lowered in the period covered by this report? Was revenue sharing cited as a factor in these decisions? How did it affect them (if at all)? Assess (showing relevant data) the extent to which revenue sharing funds may in your judgment have substituted for funds which otherwise would have been obtained from tax rate increases. If your appraisal on this score differs from that suggested by official public statements as to the application of revenue sharing funds, explain why.

6. Does it appear that the statutory limits on purposes to which revenue sharing funds can be applied were a serious or complicating factor in the budgetary decisions of this government?

7. What discernible effect did the following other provisions of the revenue sharing program have on plans for and the use of revenue sharing funds: (a) the requirement that Davis-Bacon wage rates be paid on construction projects funded more than 25% by revenue sharing; (b) the prohibition against the use of revenue sharing funds to match other Federal grants-in-aid; (c) the bar against discrimination in activities aided by revenue sharing; and (d) requirements as to budgeting, reporting, and auditing?

8. During the period covered by this report, were pay levels for employees of this government raised relatively more or less than in recent previous periods? If major negotiations took place regarding employee pay rates, indicate the extent to which the availability of revenue sharing funds entered into these discussions.

Part C. Budgetary process

1. In deciding on the uses of revenue sharing funds, was the "normal" budget process used or a special process? Describe, providing relevant background information as to fiscal year timing, etc.

2. Who were the principal persons in the executive branch involved in this decision process? Indicate their names and titles; describe the role of the main participants, and indicate how (if at all) this differed from what you would consider (if there is one) the "normal" budget process.

3. Who were the principal persons involved in the legislative branch? Provide the same kind of information as in question C–2.

4. What major interest groups (if any) were in your judgment "highly involved" in this decision process? How? How important were they?

5. From your knowledge of the community, were there any important interest groups not involved in decisions on the uses of revenue sharing funds which you would have expected to be involved? If yes, why do you think this was so?

6. How much public interest was there in this decision process? How was it expressed? How much media coverage was there and how would you appraise the effect of this media coverage upon the plans for use of revenue sharing funds?

II. General discussion

Part A. Governmental structure and financial arrangements

Certain features of the Federal revenue sharing statute may, in the course of time, stimulate adjustments in local government structure or in local taxing or other financial arrangements (e.g., as to annexation, the tax policies and role of special districts, and the relation between school districts and county or municipal governments). While few changes of this kind seem likely to emerge in early 1973, Associates should be alert to the subject and report here any significant interest that may be expressed by officials of the jurisdictions with which they are dealing in major structural or financial policy changes as a result of Federal revenue sharing provisions.

Part B. Final statement

You are to prepare a general essay on your principal findings as to changes that have occurred in your jurisdiction(s) as a result of revenue sharing. This statement should indicate not only what you consider the most salient points covered in other sections of your report, but also any other important information not solicited in the questions stated. The statement should cover both your most important findings as regards the fiscal effects of revenue sharing and what you consider the major ways in which it has affected the machinery and processes of governmental decision-making. You should also take into account what you consider important findings as to the distributional effects of revenue sharing.

III. State government reporting form supplement

1. What action has the state taken to provide fact-finding or other advice or assistance to local governments with regard to revenue sharing, or to "monitor" its local application—e.g., as to local budgetary, accounting and reporting practices, appeals, etc.?

2. What steps have been taken by the state to consider or actually take advantage of the authority given by Section 108(c) of the Federal Revenue Sharing Act to establish an alternative system for determining local governments' entitlements?

3. What consideration (if any) are state executive or legislative agencies giving to changes in state limitations upon local government tax levies or expenditures, as a result of the effects of revenue sharing?

4. Is it possible to identify the effect of revenue sharing availability on state consideration of its present grant-in-aid arrangements? If so, please summarize.

[From the Washington Post, Feb. 27, 1973]

MAYORS RECRUITED TO BACK CUTBACKS—SUPPORT SOUGHT

(By Lou Cannon)

The White House plans to mobilize pro-administration mayors in an effort to counteract criticisms from the League of Cities and the U.S. Conference of Mayors that federal budget reductions are forcing cutbacks in urban programs.

Kenneth R. Cole Jr., executive director of the administration's Domestic Council said yesterday that he would meet with mayors who support the administration's "New Federalism" in an effort to "get our story told" about the purposes of the administration's budget cuts.

He listed several mayors who he said will be asked to defend the administration's budget proposals, including Richard G. Lugar of Indianapolis, Louie Welch of Houston, Frank L. Rizzo of Philadelphia, John D. Driggs of Phoenix, Jack D. Matester of San Leandro, Calif., and Thomas P. Allen of Olympia, Wash.

Mayors from throughout the country, in particular the legislative action committee of the U.S. Conference of Mayors, have denounced the Nixon budget proposed earlier this month. San Francisco Mayor Joseph Alioto, speaking for the legislative action committee, charged that the administration "welshed" on a promise not to cut back urban programs by substituting general revenue-sharing funds for existing specific federal grants.

"There is some unfortunate language in the budget that leads to misconstruction of the facts," Cole said. "But the facts are that the administration does not intend that general revenue sharing be used to pay for existing programs."

The budget says otherwise in several places.

Typical is the language accompanying the budget statement on the Office of Economic Opportunity which the administration is closing down.

"Effective July 1, 1973, new funding for Community Action agencies will be at the discretion of local communities," the budget says. "After more than seven years of existence, Community Action has had an adequate opportunity to demonstrate its value. In addition to private funds, state and local governments may, of course, use general and special revenue sharing funds for those purposes."

In a wide-ranging interview Cole said the budget language was incorrect and that only special-revenue sharing funds were intended to pay for discontinued programs.

"There is absolutely no doubt in the President's mind as to what the general revenue sharing money is to be used for," Cole said. "He has never deviated from his commitment and he intends to stand by it fully."

None of the four special revenue sharing programs advocated by the administration has been approved by Congress and Cole said yesterday he does expect all of them to be approved for two years. He was optimistic, however, that Congress would act this year in behalf of a community development revenue sharing package.

The mayors and city officials will hold their annual conference in Washington next week and are expected to lobby for the special revenue sharing programs but against the administration's budget cuts.

The Nixon administration wants the mayors' support for special revenue sharing while at the same time hoping to discourage their opposition to the administration budget.

Cole said he wants the pro-administration mayors he will meet with to speak out in opposition to the "traveling 12," as he called the big-city mayors on the legislative action committee who have denounced the budget cuts.

Using Gov. Jimmy Carter of Georgia as an example, Cole said that some state and local officials were calling for the same budget watchfulness at lower levels of government that they were criticizing at the federal level.

"There's a certain third-party approach to the business of government that I find rather astounding," Cole said. "People sometimes act like the money comes out of trees, but it's the taxpayers' money."

Cole, a 35-year-old veteran of the administration who previously worked in the J. Walter Thompson advertising agency and as an advance man in the 1968 campaign for Mr. Nixon, was promoted on Dec. 14, 1972, from assistant director to executive director of the Domestic Council.

While strongly defending the administration's budget and its philosophy of returning more responsibility to State and local levels of government, Cole said the administration needed to improve its consultations with local governments and with private groups.

"There's a tendency to give lip-service to the consultative process," Cole said. "Many creative ideas exist outside the federal government which never get to the President."

Many of the mayors named by Cole were active in behalf of Mr. Nixon's candidacy last fall. Cole recently met with Rizzo and told him that Philadelphia can "count on $100 million" for its bicentennial celebration.

Statement of Georgia Governor Jimmy Carter Before the National Press Club

(February 9, 1973)

I will talk to you today strictly from the viewpoint of a Governor who has seen State governments become stronger and more effective, but at the same time become hamstrung by recent developments in Washington.

We all serve the same people. In my inaugural address I said that the public can best be served by a strong and independent executive working with a strong and independent legislature.

In Georgia and most other States this is proving to be true. In Washington this basic premise is being abandoned.

Since 1970 when new Governors were elected in Georgia, Florida, South Carolina, Tennessee, Arkansas, and Oklahoma, a constant stream of newsmen have been through Atlanta to ask about the new south.

I don't think there is any such thing as a new south, but there is definitely a "New Freedom".

Let me tell you what I mean. I ran for Governor for four-and-a-half years. I made eighteen hundred speeches which I wrote myself and contacted in person more than six hundred thousand Georgians.

I stood in factory shift lines at five o'clock in the morning and at midnight, and shook hands with customers in shopping centers and country stores.

Just a few years ago this would not have been necessary.

A quiet and satisfactory back room conversation with a judge or sheriff or banker or perhaps an editor could insure the delivery of the county's votes.

Then came the civil rights demonstrators and the students who showed the other citizens that a small voice could be heard and an injustice could be corrected by people who cared enough to express their concern.

The farmer, the filling station owner, and the taxi cab driver may not have agreed with the goals or the tactics of these early movements, but he learned that they could produce results and he began to ask himself, "if they can do it, why can't I?"

Many Americans began to realize that powerful intermediaries between themselves and their public officials were neither necessary nor desirable. The voters attained an influence and a freedom which they had never had before.

This new freedom to speak out and to participate among average citizens has brought about a realization that few of the business or government leaders who make the decisions have ever felt personally the direct impact of government programs involving such things as prisons, welfare lines, employment agencies, manpower training, venereal disease control, school business, or public housing.

It is well known that during the 1950's many State governments deliberately abrogated their power rather than face up to the difficult decisions involving civil rights and other social problems.

Many Governors then were hand-picked and controlled by powerful special interests. Dynamic leadership *had* to come from Washington.

But I tell you that this is no longer the case. In state after state there has been a demonstrated willingness, even an eagerness, to deal with tough problems.

We realize that to the States are reserved those constitutional powers not expressly granted to the Federal government, but the courts have often filled a power vacuum by leaning toward Federal authority in interpreting this principle.

However, the principle becomes significant when aggressive state leadership is combined with original development of new problems or issues at the local level of government.

For instance, a question about environment, insurance, education or land use planning first arises within a state and for a time may be of interest only in that particular community.

A dynamic and creative state government will move to solve the problem, will enact laws to deal with it, and then, through its experience, begin to establish a pattern of solution for possible nationwide emulation.

State government, properly used, can be a powerful force for solving problems and for strengthening our system of federalism.

Like many other states, we have taken advantage of these changing attitudes in Georgia.

For instance, more than fifty thousand citizens participated in evolving a definitive set of goals for Georgia which prescribed optimum purposes of our State government during the next few years.

These goals are now being put into effect by me and the general assembly, in an orderly and almost inexorable manner.

Both the State government and the courts have liberalized eligibility for welfare payments, but with a strong emphasis on training and employment opportunity we have leveled-off the number of Georgians on our welfare rolls. Our last month's data show the first actual numerical reduction in many years.

After a full year of study, conferences, debates and public forums, we eliminated three hundred agencies in our government and substituted for them twenty-two well coordinated departments. We were able to overcome inevitable and substantial opposition with massive public involvement.

We have also completely implemented for two years, what I believe to be the best budgeting system in the Nation. Known as zero base budgeting, the process divides State government into more than eleven thousand individual functions. Each one is analyzed on a one-sheet form by the person directly responsible for that function. He must analyze his responsibility, list the tangible achievements which measure his effectiveness and then describe how he would perform his job next fiscal year, at several levels of funding, beginning with eighty-five percent of his present budget. Old programs and new proposals are considered on the same basis.

Each department head then arranges these functions in order of priority. I approve the arrangement after consultation with the department head and then budget funds, as available, to each department.

This budget, with associated data, is presented to the general assembly for final approval.

It is perhaps the only practical means of controlling a bureaucracy.

Although I am sure all Governors are making similar efforts, we are still dependent for successful public service on a viable State-Federal relationship.

Programs and responsibilities are interrelated and mutually supportive. We need to understand and seek a common national purpose.

Our State budgets are dependent on Federal appropriations.

Even the balance of trade deficit has a direct adverse effect on the economy of individual States. The average or nationwide effect is bad enough, but the localized impact, when a particular kind of product is involved, can be even more serious. We Governors have begun to protect ourselves and our business communities by direct action in the field of foreign trade. This past year I visited five foreign nations and had trade representatives or more than twice that number as my guests in Georgia. In May I shall be in five countries of Europe and the Middle East.

It is imperative that State and Federal governments work together on other critical matters such as health care, land use planning, law enforcement and energy supplies. We have little cooperation in these fields now. Our system of federalism was conceived to make such cooperation possible and we have a responsibility to make the system work.

In summary, many State governments are now much more dynamic and competent than before, but our system of federalism is no stronger because there has been a steady deterioration in the effectiveness of Government here in Washington, and also in the relationship between the State and Federal governments.

When I became Governor in 1971, I remembered the recent words of the President, and I quote: "I would disperse power instead of taking all power to myself. I would select cabinet members who could do their jobs and each of them would have the stature and the power to function effectively. Publicity would not center at the White House alone. Your most creative people cannot develop in a monolithic, centralized, power set-up."

Since we are particularly interested in such things as environment and social programs, I began to study the attitudes of those independent and creative officials who had the stature to insure a lasting influence—men like Walter Hickel and Pat Moynihan.

We then established a tracking system for Federal legislation and provided a continuing analysis from the State's viewpoint to our Senators and Congressmen. After the vetoes were over-ridden, we planned our State programs and budgets accordingly. At that time I had not heard of impoundment.

We applauded with anticipation the highly publicized concept of a new federalism—getting the decision-making process closer to the people—and we are now beginning our fifth year of anticipatory applause.

Nowadays we seem to have Federal Government by crisis and surprise. Decisions are made in secrecy and consultations are few.

Our contacts as State officials are mostly with the Congress and sometimes with a Cabinet officer.

Final decisions, however, are made by the Ehrlichman's the Haldeman's and the Ash's. I don't know them and I have no access to them. Neither, unfortunately, do most of our Congressmen.

In spite of a balanced budget and a dynamic economy, our State funds are limited. Revenue-sharing has been a cruel hoax. Our State's thirty-six million dollars in revenue sharing, per year, was off-set by fifty-seven million dollars in lost funds when the title IV–A and title sixteen sections of the Social Security law were first amended (and now they are even further drastically reduced).

The President's proposed new budget will cut Georgia payments on programs at least one hundred seventy-four million dollars more. Impoundment of appropriated funds has already debilitated our efforts to plan and construct interstate highways, to provide compensatory education to the poor, and to finance municipal sewerage systems.

Many of the Government efforts are inherently dependent on Federal funding. You must remember that when the gross national product goes up one hundred percent, local income, which is based primarily on property tax, only rises seventy percent. State revenues increase about ninety-five percent and the progressive Federal taxes go up one hundred thirty percent. Consequently, abrupt changes in national program funding can be devastating to a State.

I consider myself a fiscal conservative. To me the essence of that conservatism is an orderly, logical, and planned approach to problems and to the allocation of public funds.

The responsible, predictable, businesslike approach to Federal legislation, appropriations and budgeting simply does not exist. This is creating havoc in all States, but particularly in those whose legislatures meet briefly or sometimes every other year.

I prepare budget projections five years in the future. Of our two and one-half billion dollar 1974 budget, about three-quarters of a billion dollars are Federal funds.

How do you encourage local and State officials as well as private citizens and groups to develop long-range plans and well researched priorities based on Federal law when all their work may be shot to pieces by a sudden and apparently capricious decision in Washington?

What encouragement is there to try to make a program run right in Waycross, Georgia, when it may be wiped out because a similar effort was mis-managed somewhere in California?

I represent and speak for almost five million people who are harmed by these developments.

To the dairy farmer, expecting emergency farm loans to replace cows which were ruined by a lack of electricity for milking during a five-day ice storm, it's not enough to say: "Ask what you can do for yourself."

To the mentally afflicted child who had just begun to enjoy his first chance for treatment and training in a community treatment center, which is now closed, it is not enough to say: "Ask what you can do for yourself."

To a mother of dependent children, holding her first job in eight years through the emergency employment program, who will now return to the welfare rolls, it is not enough to say: "Ask what you can do for yourself."

To the home owners, the contractors, the construction workers and the merchants who would have benefitted in the next eighteen months from almost three hundred million dollars worth of new housing in Georgia, which now will not be built, it is not enough to say: "Ask what you can do for yourself."

We in Georgia are willing to do our share, but the State-Federal partnerships are being dissolved.

I cannot understand what are our common national goals. They should be defined with maximum input from the Congress, from private citizens and local and State governments.

What will happen now that we have finally accepted the status quo in Vietnam?

I cannot understand how or why the Congress has lost control of the budgetary process and virtually legalized it with the debt ceiling bill.

In order to protect our people, unauthorized impoundment of funds should be *stopped*, and the Congress should demand the immediate return of its constitutional powers. Post-impoundment notification of Congress will not help.

It seems to me that a zero base budgeting system should be implemented by the executive branch of government and that a maximum spending limit adopted by both Houses of Congress could provide clear and firm restraints on total congressional appropriations. Such action would insure a continuing and understandable determination of national financing priorities.

Intimidation of the press should cease, and the veil of secrecy should be removed from government so special interests will not maintain exclusive access behind the closed doors.

We have a sunshine law in Georgia. There is a Freedom of Information Act at the Federal level. There is room for legislative action to improve the impact of both, but there is no legislative remedy for the attitude that the people are too ignorant or too unsophisticated to be told what is really happening.

Budget cuts can be reinstated, vetoes can be overridden, and policies can eventually be changed, but these is no way to rectify the damage that results from governmental contempt of the people. I hope that you, who are charged with letting the people know what is being done to them, will conduct a holy war to expose and eliminate that attitude of contempt wherever it exists.

The "sunshine" law" is working in Georgia. The deliberations of our legislature and its committees are filmed each day by educational television and broadcast nightly throughout the State.

If other news media and the public broadcasting system could record the deliberations of the national Congress and make frequent and comprehensive reports to the Nation, public confidence might be restored and an effective forum would be guaranteed to the legislative branch of government. Last year the House Appropriations Committee, here in Washington, opened to the public only 33 of its 399 meetings. Do you think the lobbyists got a full report? As a Governor, I would like to have the same information.

It would help us if congressional committee staffs could be enlarged and professional staff members could spend more time with appropriate State agencies as major legislation is being considered.

I have been gratified by the cooperation and communication that has been established between our State government and the members of the Georgia congressional delegation—of both parties.

But if the unhealthy shift of power toward the Federal executive with its attendant problems is to be reversed, all Governors and Members of Congress are going to have to realize that we are in the same leaky boat.

Both Congress and the Governors have been partially responsible for allowing the shift to take place. Only by concerted, common effort can it be reversed.

Well, with all of these concerns, one might ask about election mandates which allegedly gave prior blanket approval to recent administration attitudes.

The mood of the people, in my opinion, is one of basic conservatism. But one has to be careful about the definition of the word.

Conservatism does not mean racism. It does not mean stubborn resistance to change. It does not mean callousness or unconcern about our fellow human beings.

I think it means a higher valuation of the human being, of individuality, self-reliance, dignity, personal freedom; but I also think it means increased personal responsibility through governmental action for alleviating affliction, discrimination and injustice.

Reinhold Neibuhr said that the purpose of politics is to establish justice in a sinful world.

As more of our citizens choose to exercise their exciting new freedom and as the conglomerate and more unselfish will of the people is felt on Government, I predict that we shall see an emergence of what might be called benevolent conservatism. There are many conservative people who care.

They want Government to play a more dynamic role in insuring that each person can overcome affliction and realize his full potential and achieve maximum personal freedom.

They perhaps agree with the ancient Chinese philosopher Kuan Tzu, who said: "You give a man a fish, he has one meal; if you teach him how to fish, he can feed himself for life."

This is a time for benevolent conservatism.

I may be wrong, but I hope and believe that this is true.

STATE OF MAINE

IMPACT of Federal Impoundments,
Proposed Budget Reductions and Terminations

Preliminary Survey
February, 1973

STATE OF MAINE
PRELIMINARY SURVEY
SUMMARY

TOTALS (In Millions of Dollars)	FY 73	FY 74	# of Programs	Page
Agriculture	$ .48	$ 2.1	7	2
Economic Development		2.5	8	3
Education	.42	5.2	20	8
Environmental Quality	30.7	32.0	4	12
Health	2.54	9.0	18	13
Housing	1.4	7.1	11	19
Manpower	.45	2.5	6	21
Natural Resources	1.0	1.5	2	23
Social Services OEO Model Cities Soc. Sec. IV-A, etc.	1.5	8.5	6	24
Transportation	5.6		1	28
TOTAL	$43.9	$68.9	82	
Value of Housing Construction	$19.5	$30.0		

AGRICULTURE

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF AGRICULTURE					
Agricultural Stabilization and Conservation Service					
Rural Environmental Assistance Program #10.050 Soil Water Conservation Grants (50-50 match)	$1,200,000	300,000P/R	1,400,000T		4000 farmers and landowners participated. Increased erosion, river pollution, underground water pollution.
Water Bank Program #10.062	15,000 In new 10-year contracts	15,000P	15,000T		30 landowners will lose $150,000 collectively over normal 10 year contract period. Waterfowl acreage eventually lost.
CCC - Oat Loans	?	INA	INA R		Approximately 40 loans where interest rates have been raised from 3.5% to 6.0%.
Storage Facility (Silo) Loans #10.056	?	100,000 P	100,000T		Approx. 10 loans per year at $8,000 to $10,000 each.
Cooperative State Research					
Payments to Experiment Stations #10.203	$ 900,000	54,148	170,000R		Represents 20% reduction in Federal funds to Maine Agricultural Research Station. Cut represents about 7% of total budget.
Food and Nutrition Service					
School Milk Program #10.556	486,324	-	386,400R		Expect drop from $486,324 to less than $100,000. Some 800 Maine dairy farms affected.
Cooperative Extension Service #10.500	$1,160,000	8,900 P	82,800R		Support of farm and domestic services.

EXPLANATORY NOTES USED:
- **T - Program Terminated as of 6/30/73**
- **TS - T above and proposed for Special Revenue Sharing**
- **F - Frozen as of 1/73**
- **R - Reduction, Program Continues**
- **P - Impoundment**
- **INA - Information Not Available**

ECONOMIC DEVELOPMENT

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
New England Regional Commission #48.001	$7.7 mil (For entire New England Region)	-	1,000,000 T		Public Facility Construction $400,000 Coastal Planning $50,000 Executive Staff $100,000 Bangor Area Integrated project Center projects - $375,000/ Jobs eliminated or affected at least 100 List of representative projects thru FY 72 attached.
ECONOMIC DEVELOPMENT ADMINISTRATION #11.301-304 Business Loans Public facility construction grants Planning services Feasibility studies	$1,500,000	F Not Accepting New Applications	1,500,000 T		List of representatives projects through jobs FY 72 attached eliminates or affects at least 25 jobs exclusive of construction - Lewiston industrial Park Application pending, in doubt.
SMALL BUSINESS ADMINISTRATION 59.001 - 59.012 guaranteed and direct loans disaster loans displaced business loans local development corp. loans	$10 mil	-	Unknown		

EXPLANATORY NOTES USED:
T - Program Terminated as of 6/30/73
TS - T above and proposed for Special Revenue Sharing
F - Frozen as of 1/73
R - Reduction, Program Continues
P - Impoundment
INA - Information Not Available

New England Regional Commission
Summary of Maine Grants through Fiscal 1972

A. Supplemental Grants

1968	Bangor International Airport	$ 425,000	
		360,000	(1972)
1969	Wastewater Institute	20,000	
	Augusta Sewage Interceptor Facility	250,000	
	St. Agatha Sewage System	29,340	
	Calais Sewage Treatment Plant	82,500	
1970	Portland Ferry Terminal	200,000	
1971	Northern Aroostook Regional Airport	74,800	
1972	Brewer Industrial Park	60,000	
		$1,501,640	

B. Demonstration Projects

1969	Wastewater Institute	25,000	
		50,000	(1971)
	Oil Import Testimony	7,000	
1970	Drug Abuse Councils	8,000	
	Aquaculture Planning Conference	5,000	
	Housing Demonstration	53,000	
1971	St. John - Aroostook RC & D Project	500	
		500	(1972)
	Threshhold to Maine RC&D Project	500	
		500	(1972)
	Bangor Growth Center	500,000	
		450,000*	(1972)
	Ft. Williams Marine Research Center	16,700	
		75,000	(1972)
	Greater Portland Council of Governments	4,000	
	GPCOG Comp Code Enforcement Trng Program	14,500	
	Newton Municipal Airport - Jackman, Maine	8,000	
1972	Ocean Disposal of Rubber Tires	35,000	
	Maine Fisheries Development Corporation	30,000	
	Maine State Personnel Project	4,000	
	School Health Curriculum Development	3,800	
	Title IV A - Community Coordinated Child Care	25,542	
	Washington County Solid Waste Project	11,500	
	Elderly Health Program	40,900	
	Operation Healthmobile	44,350	
	Biddeford Airport	4,000	
	Houlton Airport	3,000	
	TOTALS	$1,420,292	

*Includes $260,000 listed as Bangor International Airport supplemental grant.

New England Regional Commission

C. Studies

1967	State Public Investment Plan	39,657	
		59,657	(1968)
		59,957	(1969)
		51,920	(1970)
		51,680	(1971)
1969	Occupational Skills Study	25,247	
	Cold Weather Construction Survey	15,000	
	Machiasport Evaluation	10,000	
	Food Industry - Economic Analysis	8,753	
1970	Maine Coastal Study	30,000	
	Management of Thermal Effluents Study	10,000	
	Bloodworm Culture Study	6,000	
		6,000	(1972)
1971	Growth Center Evaluation	2,500	
	Maine Coast Natural Areas Inventory	30,000	
		8,000	(1972)
	Coastal Zone Management	20,000	
1972	State Management Grant	100,000	
	Transportation Planning	70,000	
	Maine Medical School	40,000	
	Maine Energy Policy Study	24,000	
	State Airport System Plan	50,000	
	TOTAL	$ 718,371	

Breakdown by Type of Program - Action $2.56-million - 78%
Planning .54-million - 16%
Studies .18-million - 6%

TOTAL $3.28-million

EDA Projects - Maine (In Thousands) Through FY 1972

Project	Obligated	Planning	Tech. Assist.	Public Works	Business Loans	Working Cap.
Pride Inc., Brewer	6/69	57				
	6/70	28				
	12/70	53				
	12/71	53				
Eastern Fine Paper Corp.						
Brewer-Feasibility Study	9/69		2			
W/C	9/69					270
Life Sciences Park Study	10/72		48			
Woodchip Study	3/72		30			
Lincoln Pulp-Paper Co.	3/71				2,000	
Town of Milbridge	5/71			114		
Commercial Pier						
No. Reg. Airport-Frenchville						
Construction/Airport	3/71			369		
Terminal Bldg.	10/72			114		
NM Reg. Planning Comm.	6/69	34				
	6/70	32				
	6/71	30				
	6/72	30				
	6/72	10				
Maine Sugar Ind.						
OBD Study	5/69		4			
	6/69		137			
	1/69		39			
	12/69		10			
Saco Valley Ind. Dev. Corp.						
Mfg. Shock Absorbers	12/70				3,544	
Lubec-Milbridge				184		
Boat Landing & Fac.	10/69					
Jonesport						
Pub. Landing & Boat Fac.	6/70			455		

Project	Obligated	Planning	Tech. Assist.	Public Works	Business Loans	Working Cap.
Passamaquoddy Reserv. Swr Coll/Tmt-Wtr. Distr.	11/70			436		
Study - Resources	6/70		13			
Feasibility-Est. House Prfab Plnt.-Wash. Co.	2/69		15			
Eastport Mem. Hosp. Elevator - alter	12/71			110		
Eastport-3-site study Ind. park	6/70		3			
Lubec-Feasibility Commercial Pier	1/72		1			
Sew. Sys - Greenville	6/72			661. 205		
No. Penobscot Pulpwood Lincoln, Supplier of Pulpwood	6/69				145	
Bangor Int. Airport - Arr'l Bldg.	6/72			360		
Feasibility Study	6/69		9			
City of Brewer 80 acre/Ind. Park	8/69			388		
Mattawaumkeag Wilderness Park	2/72			367		
City of Bangor Inst. - Sanitary Sewer	6/71			77		
Chapman Precision Prod. Bangor - Machine parts	3/69				300	
U of M Aeronautical Educ. Prog.	1/69		3			

EDUCATION

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
UNIVERSITY OF MAINE					
1. Nursing Education Programs at UMA and UMPG	222,412	-	222,142 (T)		Undergraduate nursing program Faculty & students will be discharged and/or turned away FY 74. Baccalaureate degree program for nusing will also be curtailed by discharge of faculty and turning away of students in FY 74.
2. Social Welfare Program - UMPG	69,500	-	40,000 (R)		More than 100 students now enrolled would be affected. Termination June 30, 1974.
3. Allied Health Programs					
a. Medical Technology	35,000	-	35,000 (T)		Technological and dietetics programs at UMO
b. Health Care Administration	-	-	80,000 (T)		To fund a proposed Associate Degree Program
c. Dental Hygiene	-	-	74,000 (T)		To fund the initiation of a long planned program at UMB starting FY 74
d. New Proposals	-	-	150,000 (T)		Submission of new project proposals for UMB, UMA and UMPG.
4. Land-Grant University Programs	200,000	200,000(P)	200,000 (T)		Basic support funds since the 1930's for research, teaching and public service objectives. Bankhead-Jones terminated.
5. Higher Education Act of 1965 Programs to be terminated.					
a. Title I	100,000	20,000(P)	100,000(T)		Community Svc. and Continuing Educ. Prog.-UMO
b. Title II	7,272	-	7,272(T)		College Library Programs
c. Title VI	53,000	-	53,000(T)		Undergraduate Instructional Equipment
d. Title VII	300,000	-	264,000(T) 36,000(TS)		Construction of Academic Facilities Higher education facilities Act and 1202 Commission
Interest Subsidy	400,000	-	250,000(T)		Loss of 3% interest subsidy on construction on new loans - estimated at $250,000 annually.

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EDUCATION

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
UNIVERSITY OF MAINE - cont'd.					
6. Other Programs					
National Science Foundation					
Institutional Grant	27,500		13,500 (R)		Research assistant at UMO
Graduate Traineeship	11,750		11,750 (T)		UMO
Polar Research Program	24,000	24,000(P)	24,000 (T)		UMO scientific assistance
National Institute of Mental Health	96,000		96,000 (T)		Mental Health support grant
National Institute of Health	25,000		25,000 (T)		Full professor in zoology terminated.

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EDUCATION

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF EDUCATION					
Elementary/Secondary Education Act (ESEA)					
ESEA Title I - Programs for disadvantaged children	150,000	--	150,000 T		Eliminates 11 administrative people who approve, monitor and evaluate programs involving $6,500,000 allocated to local school systems involving approximately 80,000 students.
ESEA Title II - Provides books for school libraries	432,000	--	432,000 T		Eliminates 2 administrative people who procure and account for $382,000 in materials purchased to upgrade some 950 school libraries
ESEA Title V - Strengthens State Departments of Education	443,000	--	443,000 T		Eliminates 30 specialists filling positions specifically designed to originate, implement, monitor, alter and modify techniques and procedures which will improve educational services at all levels.
Public Library Services	930,000	--	930,000 T		Eliminates 29 full-time and 10 part-time employees who administer, supervise and evaluate services to public libraries and who provide program services to public school children.
Aid to Impacted Areas - PL 874	3,500,000	INA	1,400,500 R		Reduction starts 7-1-73. Eliminates funding for students who live off federal property. Subsidy represented ½ regular off-base per student education cost in that local area.

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EDUCATION

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF EDUCATION - cont'd.					
Neighborhood Youth Corps #17.222	2,000,000	200,000 P	200,000 T	6-30-73	Presently 840 enrollees working in 113 local projects. Work time cut from 15 weeks each to 5 weeks. Local project directors no longer receiving pay. Summer program enrolls 3800 students in jobs. Program terminating.

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ENVIRONMENTAL QUALITY

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF ENVIRONMENTAL PROTECTION					
Construction grants for sewage treatment plants #66.400	48,300,000	29,000,000P	29,000,000P		44 municipal sewage projects required by state law to be under construction by 10-1-73 will not be started. Major population centers of Portland and Bangor are affected. Total construction work will be $64.5 million instead of $142.4 million under full funding, or a loss of $77.9 million in construction work.
Water Resources Research 15.951	140,000	40,000P	40,000R		Loss of research funds to Water Resources Center, UMO.
FARMERS HOME ADMINISTRATION					
Municipal Water System Grants #10.418	1,000,000	490,000PF	1,000,000TS		Sewer grant applications from 26 communities rejected.
HUD Water and Sewer Grants 14.301	2,000,000	1,200,000F	2,000,000TS		Funded 1 project in FY 73 before moratorium (Bangor $750,000) and six applications were pending including one from Old Orchard Beach for $1,253,000 which would have qualified for funding. Others - Lewiston $89,500, Lisbon $46,500, Auburn $750,000, Waterville $366,500 - might have qualified. In FY 72 funded 3 projects for total of $1,180,000.

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HEALTH

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
Regional Medical Programs 13.249	$2,000,000	1,200,000 P	2,000,000 T		Thirty-three activities contribute to the financial support of: 100 Allied Health Personnel 109 Nurses 109 Physicians Improvement in Health Care Delivery - 1972 -- 2316 Health providers received training to improve their skills affecting 592,000 Maine residents. -- 596 New types of health personnel have been trained affecting 342,000 Maine residents. -- 400 Rural low income children in York County have received medical care for the first time. -- 900 Nurses and 350 physicians have been trained in coronary care affecting 48 Maine hospitals. -- Health care system for Stonington and adjacent area affecting 4,000 people. NOTE: These figures include loss of approximately $628,000 in specific projects for the University of Maine.

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HEALTH

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF HEALTH AND WELFARE					
Health Facilities Construction Program (Hill-Burton Hospital Construction) #13.220	5,000,000	-	5,000,000 Fed. funds	T	Approximately 25% of population currently served by outmoded or poorly distributed hospital beds - primarily rural areas.
Emergency Medical Services Program #13.249	200,000	-	165,000	R	Monies may be in another part of Fed. Budget but, if so, no one (including Washington) knows where. If out training programs for about 5000 emergency health service personnel will be curtailed.
Family Planning Programs #13.217 See #49.006 also	600,000	-	300,000	R	The $300,000 loss is a probable net loss of service monies due to HEW being required to assume costs of family planning programs previously funded thru OEO without appropriate increase in HEW funding. Approximately 10,000 women are potentially affected.
Venereal Disease Control #13.205	126,000	-	18,000	R	Approximately 1000 persons at risk of getting V.D. (estimate).
Immunization Program #13.268	130,000	-	18,000	R	Approximately 10,000 children needing immunization (estimate).

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HEALTH

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
COMMUNITY MENTAL HEALTH CENTERS #13.240					
Bath-Brunswick M.H. Center Community MH Staffing Program	-0-	400,621 R	400,621 R		Inpatient, outpatient care, mental health education and consultation. This eight year grant would have totaled $2,749,831 services for Bath-Brunswick area.
Mid-Coast MH Center Community MH Staffing Program	-0-	404,673 R	404,637 R		Inpatient, outpatient care, mental health education and consultation for Rockland area. This eight year grant would have totaled $2,787,470.
Augusta State Hospital Hospital Improvement Project	-0-	94,264 R	INA		Academic program for young patients whose education was interrupted by mental illness. Program was approved then cut before implementation.

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HEALTH

PROGRAM AFFECTED	IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations				
	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
13.746 Rehabilitation Services - Basic Support	$2,719,500	$374,300 R	374,300 R		General restructuring and improvement of all bureau services and programs. Costs would include evaluation of effectiveness, efficiency, and productivity. Additional direct service support to various subprograms will also be affected.
		-0-	368,000 R		Approximately 1,000 disabled people will be denied service under the ongoing basic rehabilitation service program.
					NEW PROJECTS PLANNED - NOW DEAD
		-0-			Renovation and expansion of a facility which provides rehabilitative programs for blind and visually handicapped people will not take place. This facility serves 100 people per year. $65,500
		-0-			A facility at a major medical center which would provide rehabilitation services to severely disabled people will not be established. Sixty (60) people per year will be affected. $169,500.
		-0-			A unit which would rehabilitate deaf people will not be established. Approximately 100 people per year will be affected. $128,200
		-0-			Two units to rehabilitate handicapped youth will not be established. These units would serve approximately 200 handicapped youth per year.

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HEALTH

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
		-0-			Two rehabilitation units in the state hospital: will not be established. These units would serve approximately 200 mentally ill people per year. $120,000
		-0-			Expansion of the CORE Rehabilitation Program will not take place. Approximately 2,000 physically and mentally handicapped people will not receive rehabilitation services. $736,000
13.763 Rehabilitation Services - Special Projects	$101,800	$30,430 T	$39,700 T		A Master's Degree Training Program will not be established. Rehabilitation manpower will not receive intensive academic training and will, therefore, not be as effective or efficient as could be. The flow of trained manpower will be curtailed. In-service and academic training will be cut in half. Workshops, seminars, academic course work, staff upgrading and publications will weaken the effectiveness of rehabilitation workers.
		7,500 R	16,000 R		The existing project to rehabilitate public assistance recipients will have to cut service. The cost of goods and services rising without funds to accommodate them will cut services to approximately sixty (60) people.
					NEW PROJECTS PLANNED - NOW DEAD
		-0-			Two project programs designed to rehabilitate public assistance recipients into employment will not be established. Approximately 800 disabled people will not receive rehabilitation

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HEALTH

PROGRAM AFFECTED	IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations: Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
#13.763 - Cont'd.					services. $320,000
		-0-			Planning and coordination of services to the spinal cord injured and wheelchair confined will not be developed. Indirectly, approximately 500 such people will be affected. $27,000

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HOUSING

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
MAINE HOUSING AUTHORITY Interest Subsidy - Homes for Lower Income Families #14.105 (Sec. 235, HUD)	845,000	600,000P	845,000P	T-7/1/74	Expect over 900 new mortgages to be refused. This money subsidizes the interest portion of home mortgage payments - the amount of subsidy depending on mortgagee's income. Outstanding mortgages not affected. (Contract is between bank and individual.) (Bank then received interest subsidy from Federal Gov't.-HUD).
Interest Reduction Payments - Rentals and Cooperative Housing for Lower Income Families #14.103 (Sec. 236, HUD)	375,000	250,000P	375,000P	"	Prohibit construction of 400 apartment units. This money subsidizes interest payments to the developer. Current mortgages not affected. Contract is between sponsor and bank while subsidy is from Federal Gov't.
Public Housing - Acquisition (With or Without Rehabilitation and Construction #14.146-147 HUD) Conventional Bid Turnkey Acquisition	(14,000,000 total amount activity including construction, subsidy, new commitments)	10,000,000P	14,000,000PT	"	Includes direct grants for new construction or rehabilitation. Would eliminate construction of 600 apartment units per year.
Leased Public Housing - HUD #14.148 (Sec. 23)	$3,000,000 in new construction $720,000 in subsidy		$3,000,000 in new construction $720,000 in subsidy T	"	Prompt action by HUD (Manchester) saved 320 new units, FY 73 representing full expected allotment.
Urban Renewal - HUD #14.307	Modest		Unknown T	7/1/74	There are 16 projects in Maine. All have received their basic grants but chance for supplemental funds lost.
HUD "NDP" Program #14.306	$2,300,000	$400,000	$1,900,000	7/1/74	A multi-year program, just underway. 4 Maine projects: Lewiston, Portland, Bangor, Waterville. Will be wound up by 7/1/74.

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HOUSING

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
MAINE HOUSING AUTHORITY Code Enforcement Grants #14.309	$ 821,000	$ 821,000	$ 821,000 T	T FY 1974	Project Grants for rehabilitation of private homes. Administered by municipal agencies.
Housing Rehabilitation Grants #14.308	428,000	0	428,000 T	T FY 1974	Grants and loans for rehabilitation of private homes. Administered by the Urban Renewal Agencies.
*Present funding levels are based on 1972 expenditures.					NOTE: Of the 6169 housing starts in 1972, 3164 were subsidized. Estimate housing starts to reduce to 3000 for 1973 as result of federal change in support.
FARMERS HOME ADMINISTRATION Housing Loans For Low and Moderate Income Families in Small Communities #10.410	$50,000,000 total loans	$ 7,000,000 in subsidized loans $3,500,000 in construction	$30,000,000 in subsidized loans $15,000,000 in construction	T	Puts program out of reach of many low income families by terminating low interest availability as of 1/73. About 1,200 families would have used low interest feature in FY 73 for home purchases. About 50% of FMHA loan volume is new construction. About 70% of loan volume is with interest subsidy for low income borrowers.
		$500,000 in Interest Subsidy	$2,500,000 in interest subsidy)		
Emergency Loans #10.404		INA	INA/R		The $5,000 forgiveness clause has been eliminated. Interest rate boosted from 1% to 5%.

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IOUSING

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
)pen Space HUD #14.303 Grants for Land Acquisition and development.	$ 500,000	$150,000 F	$200,000 minimum	T-7/1/74	5 Maine communities Urban improvement - parks, etc.
Neighborhood Facilities HUD - #14.302 Construction grants for Community Centers of various kinds	$1,000,000	? F	$500,000 minimum	T-7/1/74	4 Maine communities

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MANPOWER

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF MANPOWER AFFAIRS					
MDTA Institutional Training #17.215	$ 981,000	173,000	INA*		Disadvantaged unskilled individuals needing skill training. Approximately 300 program participants affected for FY 1973. Potential FY 1974 effect unknown.
Unemployment Insurance - Grants to States Contingency Funds #17.225	56,000	42,000	INA*		May require redirection of staff within department from support functions and services to payment effort for U.I. claimants. NOTE: *Funding levels for FY 1974 are not known at present pending approval of budget for FY 1974. All Manpower Training monies are in question at present for Jobs Optional (JOP), MDTA, JOBS - NABS.
Indian Mainstream Projects 3 projects $15,000 each #17.223		45,000	-		Number of individuals affected not known.
Employment Service #17.207		-	INA		Potential staff reductions. If actual will result in decrease in support services in areas other than direct applicant/employee services and placement functions.
Public Employment Program #17.229 (Also called EEA)	4,580,000	-0-	2,500,000	T FY 1974	Actual funding in Fy 1973 represented a rate of 25% less than FY 1972. Complete phase-out during 1974. Jobs established in FY 1972 = 1511 25% reduction in FY 1973 = 444 To be phased out in FY 73/74 = 1067

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MANPOWER

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF MANPOWER AFFAIRS -cont'd.					
Concentration Employment Program New Careers	$2,057,000	206,000 P			Reduction of 30 jobs and 115 training slots for Maine CEP. Curtailment of New Careers and elimination of Mainstream.

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NATURAL RESOURCES

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
Forest Fire Prevention Grants #10.650	$ 500,000	$104,000 PR	$104,000 R		These Forest Fire Prevention costs must be covered by state funds.
Outdoor Recreation - Land Acquisition and Development #15.400	2,000,000		1,500,000 R		Cuts in state capability to increase public recreational opportunities.

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SOCIAL SERVICES

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
CITY OF PORTLAND Community Development MODEL CITIES #14.300	$1.8 m.	none	$1.2 m.	6/30/74 TS	13,000 people in Portland benefit directly o indirectly from services delivered to "inner city" section where bulk of low income residents live. 450 persons are employed to operate about 35 services. The MC grant generates additional $3.8 m. in matching funds or private donations to these programs for total annual impact of $5.6 m. spent for people needs. $1.7 m. of the generated money comes from private sources that have become ineligible under new H.E.W. FR guidelines published 2/16/73.
CITY OF LEWISTON Community Development MODEL CITIES #14.300	$2.0 m.	none	$1.4 m. NOTE: The MC program ends 12 mos. sooner than federal G. had promised. Thus, city loses $2.0 m. it had planned for FY 75.	6/30/74 TS	14,000 people live in Lewiston and benefit directly or indirectly from services to lowe income neighborhoods. 300 people are employ to operate 28 services. The MC grant generated an additional $1.3 m. in matching funds or private donations to these programs for total annual impact of $3.3 m. spent on people needs. There is no special breakdown on private contributions. -------- NOTE: Services include: 1. Child care 2. Food and services to elderly 3. Recreation programs & facilities 4. Education for special students &

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SOCIAL SERVICES

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
CITY OF LEWISTON - cont'd.					new facilities. 5. Law Enforcement aides 6. Housing services
SOCIAL SECURITY IV-A, 16 and Related Services. #13.748, 13.758, 13.761 -Daycare, and other social services to Aged Blind Disabled AFDC (Past, Potential, Present)	$12,000,000	$1,500,000PR	$3,400,000PR	3/1/73	Services will be terminated or reduced to 39,000 people in the last quarter of FY 73 and an additional 34,000 during FY 74. Reductions will be caused pursuant to new regulations which eliminate groups from eligibility who previously were eligible.
OFFICE OF ECONOMIC OPPORTUNITY Community Action Agencies	2,334,000	-	2,334,000+ TS		Community Action Agencies are the major social service and delivery system serving rural Maine and Maine low-income people. Through Community Action Agencies efforts, additional funds both Federal and non-OEO and State and local monies have been mobilized. (Result in approximately $5,000,000+ additional dollars.) This total program effort is dependent on the existence of Community Action Agencies. If the agencies are eliminated then the following programs will be eliminated: 1. Community Outreach - Provide information and referral services and crisis support to approximately 150,000 people. 2. Childrens Services - (Head Start) - Provide educational, health and other support to approximately 2,700 low-income children.

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SOCIAL SERVICES

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
OFFICE OF ECONOMIC OPPORTUNITY - cont'd.					3. Community Health Services - Provides various kinds of services including dental, immunization clinics for children, lead poisoning screenings and transportation to clinics for approximately 8,500 people. 4. Economic Development - has created opportunities for supplementary income for Maine citizens particularly senior citizens and rural both serving approximately 1,900 people. 5. Family Planning Services - Serving approximately 12,000 women. 6. Housing Services - Includes house outreach, location of emergency housing, house counseling, home rehabilitation programs and house construction. Serving approximately 3,000 families. 7. Job Placement and Job Counseling Services - Presently serving approximately 1,000 people. 8. Nutritional Programs - Provides educational and administrative support for donated food programs. Affecting approximately 64,000 people. 9. Senior Citizen Programs - Provides such services as hot meals, recreation outreach, part-time employment affecting approximately 20,000 senior citizens 10. Youth Programs - Provides for various youth activities and job programs for youths. Serving approximately 500 people.

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SOCIAL SERVICES

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
OFFICE OF ECONOMIC OPPORTUNITY - cont'd.					In addition, Community Action Agencies generate a total annual payroll of $4,500,000 employing approximately 1,000 people of which 60% are from the low-income sector. The State OEO offices which provide technical assistance for the functions is teminated as of June 30, 1973.
Pine Tree Legal Services	506,000		Unknown		Same level proposed by new legal corporation but continued 6 months at a time.
Health Service Demonstration Project Rural Health Associates, Farmington, Me., Franklin County	$1,000,000	-	Unknown	Unknown	Grant pending to HSMS, Dept. HEW. ($1,008,000) If grant not funded - 800 low income families, 600 low income single persons will lose all medical benefits (since package includes all needed inpatient & outpatient health svcs.) Additional 600 families, 80 single person will lose partial benefits. (These needed medical services not offered in the gov't. package in Medicaid programs under which they are covered.
Penbay Medical Center Rockport, Maine	912,000	-	Unknown	Unknown	Grant pending to HSMS, Dept. of HEW for $1,037,000 If not funded, 4,000 persons will lose all medical benefits offered in the grant-transfer to RHS Svcs. package - additional 1500 persons will lose partial benefits.

EXPLANATORY NOTES USED:
T - Program Terminated as of 6/30/73
TS - T above and proposed for Special Revenue Sharing
F - Frozen as of 1/73
R - Reduction, Program Continues
P - Impoundment
INA - Information Not Available

TRANSPORTATION

IMPACT of Federal Impoundments, Proposed Budget Reductions & Terminations

PROGRAM AFFECTED	Anticipated Funding Level FY 73	Estimated Dollar Loss FY 1973	Estimated Dollar Loss FY 1974	Action Date	WHO/WHAT IS AFFECTED?
DEPARTMENT OF TRANSPORTATION Federal Aid Highway Program #20.205	$26,600,000	$5,600,000P	Unknown *		* 1973 Federal Aid Highway Program currently pending Congressional action. Federal funds are currently being withheld from the Maine Department of Transportation in the amount of approximately $5.6 million. This represents the difference between the 1973 apportionments of Federal funds made to the State of Maine, and the obligational authority established by the Secretary of Transportation. The continuing uncertainty of the availability of Federal funds creates considerable difficulty in providing effective scheduling of proposed projects.

EXPLANATORY NOTES USED:
T - Program Terminated as of 6/30/73
TS - T above and proposed for Special Revenue Sharing
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FEBRUARY 15, 1973.

Memorandum for: Jerry Wurf.
Subject: Implications of the 1972 Elections.

At your request I have reviewed available public opinion studies for clues as to the meaning of the 1972 elections. A number of major points stand out:

(1) *The Presidential vote was a "negative landslide"—more a vote against George McGovern than for Richard Nixon.* No one can argue that the President's inroads to bastions of Democratic strength were not impressive. He captured 36 percent of the Democratic vote—in absolute terms about ten million voters. He carried a majority among blue collar workers, nearly two-thirds of the self-proclaimed Independents and well over half of the Catholics.

Further, Mr. Nixon's winning coalition was more than a corralling of Governor Wallace's partisans. It has been suggested that adding the Governor's vote in 1968 (13.6 percent) to that for the President in 1968 (43.4 percent) yields the base of the 1972 Nixon margin. However, a Gallup Poll of mid-June (1972) belies this simplistic notion. It showed the President siphoning off only half of the Governor's support, the balance going either to the Senator or to the undecided column.

[In percent]

	With Wallace in	With Wallace out	Difference
Nixon	45	54	+9
McGovern	32	37	+5
Wallace	18		
Undecided	5	9	+4
Total	100	100	

Despite the size of the President's margin, the Democratic Party held its own at the state level. A net gain of eleven seats in the House. An increase to a fourteen-vote majority in the Senate, despite major GOP efforts to win control. A net gain of 11 governorships, yielding a 29–21 Democratic majority in the state houses. And 54 percent of the total congressional vote, compared to 51% in 1968.

In short, the President ran well ahead of his party. The Republicans carried 53.5 percent of the popular vote in the 33 Senate races. In those same states, the President carried 63 percent. In the 18 gubernatorial races, Republican candidates carried 49.7 percent of the total vote as against the President's showing of 63.4 percent in the same state.

A survey Charles Roll and I commissioned through the Gallup Organization in mid-October shows why so much ticket-splitting should have occurred. At the height of the campaign we found only 37 percent of the electorate supporting Nixon because they liked him. The remaining 25 percent of his supporters backed him largely because they did not want to see McGovern win.

This finding came out of a question asked of a national cross-section of registered voters. After the preference between the two candidates had been elicited we asked: "Are you supporting the candidate you choose more because you especially like him and what he stands for, or more because you would hate to see the other man win?"

	Percent
Supported Nixon because:	
Liked him	37
Disliked McGovern	16
A little of both	9
Supported McGovern because:	
Liked him	18
Dislike Nixon	12
A little of both	8
Total	100

Thus for the most part Richard Nixon's "new American majority" was the creation of George McGovern. Anti-McGovern sentiment (amounting to a firm 16 percent with another nine percent less than enthusiastic about Nixon) was almost as great as the pro-McGovern sentiment. It was also greater than the anti-Nixon segment of the electorate (12 percent having a dislike for the President and another eight percent being qualified in their support).

(2) *The voters rejected McGovern, not all that he stood for.* Senator McGovern's problem was that he just did not appear "presidential" to the American people. In a poll conducted for *Newsweek* by the Gallup Organization in mid-August, a cross-section of the public was shown a list of words and phrases and asked to select those that best described each candidate. Consistently McGovern compared unfavorably. For example, the phrase "sticks to principles" was selected by 40 percent as describing Nixon and by only 17 percent as describing McGovern. Mr. Nixon had clearly been able to dispel much of the "tricky Dicky" legacy. The phrase "strong and forceful" drew 34 percent for Nixon and only 17 percent for McGovern. "Good judgment" was chosen by 30 percent as applying to the President and by only 11 percent as applying to Senator McGovern. On the negative side, the phrase "extremist" was pinned of McGovern by 20 percent as against only three percent for Nixon. Eighteen percent felt McGovern "makes snap decisions" in contrast to only nine percent for Nixon.

The bitterness of the irony was found in a survey conducted in late August showing that the President was perceived by the public as better able to handle even those focal issues McGovern tried to carve out for himself. For instance, in Miami Beach Senator McGovern had talked about "restoring government to the the people." When it came to the problem of "making the government pay more attention to the problems of the working man and his family," we found 61 percent of the public expressed confidence in the President in comparison to only 43 percent for McGovern. The Senator also spoke of "coming home America from the entrenchment of special privilege." Again the Senator compared unfavorably: over half (52 percent) expressed confidence in Nixon on the matter of "keeping the big interests from having too much influence over the government" as against only 35 percent expressing confidence in McGovern.

The task of "reducing unemployment" was another on which McGovern lagged: 59 percent having confidence in Nixon and only 35 percent in the Senator. Even the issue that seemed to propel the McGovern campaign—Vietnam—worked to the President's advantage. Less than a third (29 percent) trusted McGovern when it came to "getting out of Vietnam honorably" as compared with 70 percent for Nixon.

However, despite Senator McGovern's non-presidential appearance to the voters, his defeat can in no way be construed as a defeat for many of the issues he pushed. That is, aside from issues like amnesty and busing, broad public support remains for many of the concerns McGovern articulated.

As early as May, my study for AFSCME picked up widespread agreement with the Senator's essentially populist appeal. We found 78 percent of the public agreeing that "the big special interests in this country have too much power and pretty much have their own way." Seventy-two percent agreed "too few of our nation's leaders understand what the average citizen would like to see done in this country." And further, 60 percent agreed with the proposition that "there is not very much the average citizen can do to influence the way things are going in this country."

In my mid-October survey with Roll, four key issues were singled out on which the candidates were clearly divided. Without referring to the men by name, we juxtaposed the Nixon and McGovern positions and asked people which way they "leaned".

	Percent
Wage and price controls:	
Wage and price controls have not worked because they are not tough enough on profits of corporations	57
Wage and price controls have begun to slow down the rising cost of living and are fair	29
No opinion	14
Total	100
Taxes:	
The most important way to keep down the taxes of the average taxpayer is to make large corporations and wealthy people assume a greater part of the tax burden	43
The most important way to keep down the taxes of the average taxpayer is to slow down spending for Government programs	35
Both	14
No opinion	8
Total	100
Tone of national life:	
Not enough attention is being paid to those things that are not working right in the United States today	42
There is too much talk about those things that are not working right in the United States today	47
No opinion	11
Total	100
Defense spending:	
We are spending more money on military defense programs than is necessary and we can cut back considerably on defense programs over the next few years without weakening our national security	39
Any further cuts in our defense spending would dangerously weaken our national security	48
No opinion	13
Total	100

On each of the four issues, support for Senator McGovern's view was significant.

(3) *The public is ambivalent in its view of the proper place of the Federal Government.* As the second Nixon term unfolds bold assumptions are being acted upon that the election returns indicate the American people are fed up with "paternalism", etc. "Ask not what government can do for you, ask what you can do for yourself. . . ."

On this range of issues, the public is clearly ambivalent. In a survey commissioned through the Gallup Organization just three weks ago, two thirds (66 percent) of the public agreed with the statement: "We should hold the line on federal spending by cutting back on certain government programs—even those that many people think are important." In a similar vein, 79 percent agreed that "generally speaking, any able-bodied person who really wants to work in this country can find a job and earn a living."

The Nixon budget would appear on the surface to be in full keeping with these findings. But the same survey found three-fourths (74 percent) also agreeing with the statement: "The federal government has a responsibility to try to do away with poverty in this country."

Further evidence of the ambivalence of the public on the issue is found in the recent book *State of the Nation* by William Watts and Lloyd Free. In it they report the results of a national survey conducted by Gallup in June 1972. Among the questions asked was one dealing with the public's willingness to see federal spending increased, kept at the present level, reduced or ended in each of a number of program areas. Over half of the public favored *increased* federal spending with respect to:

	Percent favoring increase in spending
Programs to combat crime	77
Federal programs to help elderly people, for example, by increasing the social security payments they receive	74
Coping with the problem of narcotic drugs and drug addicts	74
Programs to clean up our waterways and reduce water pollution	64
Federal programs to improve the education of children from low-income families	62
Improving medical and health care for Americans generally	62
Programs to reduce air pollution	61
Federal programs to make a college education possible for young people who could not otherwise afford it	54
The medicaid program to help low-income families pay their medical bills	52
Programs to rebuild rundown sections of our cities	51

The ambivalence indicated by these results suggests that an earlier finding of Lloyd Free in 1964 might still be valid. In a national survey just prior to the 1964 election, Free presented respondents with two batteries of questions. One battery presented respondents with a series of propositions couched in essentially ideological terms: "the federal government is interfering too much in state and local matters"; "we should rely more on individual initiative and ability and not so much on governmental welfare programs"; and the like. The other battery consisted of questions referring to specific federal programs: "a broad general program of federal aid to education"; "a compulsory medical insurance program covering hospital and nursing care for the elderly"; etc.

At the ideological level, the public was predominantly opposed to an extensive role for the federal government. But at the level of specific programs, however, the public was overwhelmingly supportive of a strong federal role. Thus Free concluded: "While the old argument about the 'welfare state' has long since been resolved at the operational level of government programs, it most definitely has not been resolved at the ideological level."

This suggests part of the reason for Mr. Nixon's successes in his first term. He has talked like a "conservative" but not followed through literally by cutting back massively on federal programs. Now in his second term his budget seems to be in line with his rhetoric. This may be his undoing with the American public.

If this ambivalent mood still persists among the people, the President could well find strong opposition. This opposition can be developed only, however, by systematic efforts to bring the meaning of the President's budget home to the public—and bring it home in rather specific terms.

It will be difficult to mount effective public opposition if the debate about national priorities and the budget stays on the ideological level. The President should thus not be allowed to polarize simplistically the issue: cuts in federal spending or a tax increase.

If, on the other hand, the real cost of the President's program in human terms is clearly demonstrated, public opposition could be more readily mobilized. Senator Muskie's recent confrontation with OMB Director Ash is illustrative. The Senator, recently returned from Maine, reported that a health clinic in his state was being summarily closed for want of federal funds. Ash was hard put to come up with a satisfactory answer when the cost in human terms was spelled out explicitly.

However, it is crucial that the critique be developed primarily about those issues for which the public would be willing to see an increase in federal spending. This means: problems of the elderly, crime, drugs, pollution, education and medical care. It does *not* mean "welfare" programs, massive public housing programs, and those other issues that confront the work ethic head on.

To put it another way: it would be difficult to mobilize a public outcry at the dismemberment of OEO; it would be possible to mobilize public concern about the termination of specific educational or medical programs within OEO.

The critique of the President's budget should be with regard to specifics, not broad generalities and philosophical questions about "the poor" or the role of the federal government.

ALBERT H. CANTRIL.

STATEMENT OF WESLEY CULLIPHER, MEMBER, BOARD OF COMMISSIONERS, PASQUOTANK COUNTY, N.C.

REGIONAL MEDICAL PROGRAMS

It is ironic that the Administration, which has made revenue sharing a familiar term in country courthouses and city halls across the country, should dismantle a pioneering revenue sharing effort, Regional Medical Programs.

Regional Medical Programs (RMP) was adopted by Congress in 1965 when everyone concerned saw the need for a major overhaul of the nation's health care delivery system. RMP was assigned a key role in the multi-program effort to reshape the health system.

The danger of top-heavy federal bureaus was clearly seen by the authors of the basic RMP legislation. They were determined to gain the advantages of large-scale effort. But they wanted to avoid the disadvantages of callousness toward the individual, loss of citizen contributions to program planning, uniform orders from Washington to different parts of the country with different needs, potential insensitivity to local evaluation of operations.

RMP has completely avoided these disadvantages. Each RMP project has been designed, reviewed, approved, operated, and evaluated at the local level. Laymen and experts have taken part, paid staff and volunteers, government officials and private individuals.

GRASS ROOTS

Regional Medical Programs (RMP) is hardly a household word because, true to the principles of revenue sharing, RMP projects have most often been led by doctors and medical administrators at the grass roots level and, therefore, have not been featured on network news shows or in the headlines of metropolitan dailies. A vast portion of RMP work has been accomplished by *volunteers* organized with help of federal grants or, as the President would now call it, "special revenue sharing."

RMP FILLS FUNCTIONAL NEED

One of the perceptions of the Congress in 1965 was that the biggest immediately achievable savings via systems reform to a national struggling with skyrocketing medical care costs was the rapid adoption by practicing physicians of the latest discoveries coming out of biomedical research laboratories. After all, the nation was *investing about a billon dollars a year in biomedical research* directed by the world-honored National Institutes of Health. Yet there was no mechanism at any level of government designed to take the results of that billion-dollar-a-year investment and apply them to day-by-day *patient care.*

The federal idea, then, behind Regional Medical Programs (RMP) was to encourage doctors, nurses, county health officers, medical school professors and others to explore with each other which of the new medical discoveries they were reading about every month in their medical journals could be put to work on a practical basis in their daily rounds, their clinics, their hospitals.

This special revenue sharing programs was relatively small—reaching only $87 mil. for the whole country by 1972—another reason for its being little known outside of medical circles.

The recent fate of RMP, which the President has eliminated from his fiscal 1974 budget, provides some flashing-red-light warnings for non-federal governmental officials being asked to support revenue sharing.

Because RMP was supposed to be one program that recaptured from Washington the initiative which should operate at state and local levels. RMP did *not* dictate to its grant applications where each program should be housed. Yet the Administration has gone ahead to order the program halted.

To show the variety of local adaptations of RMP's a $20 mil. sample of RMP spending this year reveals that 11% of RMP dollars have gone to medical schools for project operation, another 11% to medical school-affiliated hospitals, 22% to community hospitals, 14% to professional organizations or voluntary societies and 42% to community organizations.

Some RMPs serve metropolitan areas, others a geographic area of two or more states.

The thanks which the present Administration has awarded this vigorous diversity was expressed at a Health, Education & Welfare Department budget briefing on January 29th of this year when the medical community was told that "(RMP) projects supported have not been carried out according to any consistent theme or set of priorities."

Condemned by the Administration, the Regional Medical Programs (RMP) work has nevertheless:

1. Heavily involved the private sector.
2. Directly benefited patients.
3. Reformed without disrupting the on-going medical care delivery system in this country, gaining academic community and practitioner cooperation.
4. Provided quality assurance uplift pressure otherwise unavailable.
5. Served as the main channel for transfer of medical technology from inventor to beneficiary.

LOCAL INITIATIVE

Despite the Administration's criticism of RMP this program has the very characteristics that the Administration promises in promulgating its own new wave of revenue sharing activities:

I. Decentralization of policy and decision making—return to the States and local areas such responsibility.
II. Spending based on local needs.
III. Reduction of bureaucratic structure, rigidity.
IV. Increased use of the market place as regulator of quality and quantity of services by accentuating spending power of individuals.

It is entirely apparent that, in spite of the original connotation of RMP legislation as a categorical disease oriented program, it now operates as a management process. It is an exquisite and perhaps unique example of revenue sharing in action.

All RMP project proposals originate at the local level. All are reviewed and approved or disapproved by local advisory groups. There is a national non-governmental steering committee which formulates policy by which the federal RMP officials review project proposals for funding.

The RMP governing body is usually called the Regional Advisory Group and is made up of a broad base of interest and expertise in health care matters. The Regional Advisory Group must include representatives of all of the health professions from all types of medical practice settings: Physicians, dentists, nurses, physical therapists, social workers, optometrits, administrators for instance as well as private practitioners, academicians, deans, public health officials and representatives of professional societies and voluntary health associations.

The Regional Advisory Group must also include members of the public and those who understand health financing. All areas of the region must be proportionately represented and the membership must include appropriate numbers of all racial and ethnic groups, both sexes and individuals from Comprehensive Health Planning agencies.

All implementation and funding decisions in an RMP are the responsibility of these groups and are the result of such advisory review processes based on documented criteria and standards which the group sets prior to project formulation and in accord with broad goals expressed by the national steering committee.

The non-transferrable responsibility of the Regional Advisory Group *bars bureaucratic staff decision-making based on remote policy dictation* which is characteristic of most federal agencies and which is limited in quality by the intrinsic limitations of a permanent staff which works full-time at its bureaucratic job. In contrast, *the richness of input by medical practitioners, members of the public, working health care administrators is regularly used by all RMPs* through the mechanism of the advisory groups.

RESPONSIBILITY

In the highly charged debate on revenue sharing one potential danger has been repeatedly cited by those—Republicans and Democrats—who recognize the lure of grass roots program direction while understanding the fear of the administrative ineptitude of lower governmental bodies. They recognize the fact that much of the thrust toward centralization of government operations in this country resulted from the unavoidable conclusion that state legislatures and city halls were often subjected to such intimate pressures, such direct approaches by "interests" that program integrity was extremely difficult to achieve.

However, RMP has gone a long way to meet these fears. All awards by the regions for specific program activities are given for limited periods—usually a three-year maximum. All project leaders are required to demonstrate the means by which RMP support will be phased out during that period. All project leaders accept the condition of continued monitoring for contractual compliance as well as evaluation.

Funds are frequently reduced or withdrawn before expiration of the grant period if expenditures are lower than expected or success seems unlikely. Transfer of recaptured funds to new, more productive projects is not at all uncommon in RMPs.

PRIVATE SECTOR EMPHASIS

As the nation struggles to overcome what many term to be a health crisis, it is clear that no reform of the system will be effective if reformers alienate the private medical sector which has a long tradition of unpaid public service and which is unusually devoted to the integrity of the professional/client privacy principle. The doctor's willingness to take on charity cases, to see himself as a public servant; and the doctor's desire to treat the whole patient are valuable elements of today's health care picture which should not be destroyed.

No other government-funded medical program mobilizes the private sector of the medical community to improve health care directly as does RMP.

Other government programs reach governors' offices, state health departments, schools and universities, or municipal facilities, but RMP mobilizes physicians, hospital administrators, ambulance drivers, medical personnel giving health tests and others strategically located to make an immediate impact on health care quality.

HEALTH CARE IMPROVEMENT—SOLID ACHIEVEMENT

The intimacy with the medical care delivery system that is now in place sets RMP work apart from other programs and insures that any innovation, any improvement, any move toward more effective treatment for more people will have an immediate effect.

For instance, while the use of paramedical personnel to alleviate the doctor shortage has been debated for years, and while the government has initiated some small programs for the training of *allied health personnel*, RMP has prepared for waiting job assignments 7,500 individuals destined to be engaged in new types of allied health work in 1970, nearly 14,000 in 1972 and almost 38,000 are trained in 1973 programs.

Where existing personnel were given new allied health skills RMP reached over 34,000 in 1970, and 48,000 in each of 1972 and 1973.

Programs to lift the quality of medical care by sharpening existing skills reached over 40,000 allied health personnel in 1970, another 104,000 in 1972 and will reach 120,000 in 1973.

It is now a truism in this country that *emergency medical services* are tragically behind the times. Death from accident and trauma in this country were shown to be tragically high compared to the potential if only available methodology were more widely used when, in the Viet Nam War, quick evacuation and treatment achieved almost unbelievable survival rates.

Two-way hospital/ambulance communications, portable life support systems, better training for ambulance personnel, use of helicopters will shortly be mandatory for the nation's emergency medical care system.

RMP's emergency medical programs reached areas with a population of 465,000 in 1970, went up to 2,443,000 in 1972 and will reach 4,064,000 in 1973.

More important, the demonstrations and the testing involved will be available and are already being adopted as the standard for the entire medical care delivery system of the nation.

DIRECT SERVICE TO PATIENTS

RMP was never designed to serve as a federal health delivery program but in the course of demonstrating new methods, exploring ways of serving under-served areas, and extending the best practices to areas enjoying only modest investment in specialty services, RMP has assisted thousands of patients directly.

Heart disease, cancer, and stroke, the three categorical diseases emphasized in the original RMP legislation, were the diseases suffered by 1.6 million.

MINIMIZATION OF BUREAUCRACY

Since all awards by RMP regions for specific program activities are given for limited—usually three-year maximum—periods all recipient agencies are required to demonstrate the means by which RMP support will be phased out.

This does not imply that the activity will phase out.

Quite the contrary. The assumption is that any activity seen successfully serving a need will pick up continued support as it is absorbed into the "normal" medical care delivery system.

This means self-support by usual methods of reimbursement.

The RMP apparatus is an innovational one. Much of the work is done by existing non-governmental agencies or individuals. The mandatory methodology prohibits the build-up of a sprawling federal bureaucracy or, for that matter, a fat bureaucracy at any level.

QUALITY ASSURANCE

One of the tragedies of today's health care delivery system is that a number of factors, including fragmented responsibility to the individual patient, the threat of astronomical malpractice suit awards, rigid jurisdictional boundaries and other factors, all work to lower the quality of medical care beneath what is technically possible under optimum conditions.

One of the most pressing needs for reform, and one recognized by practically all of the leaders of change in medical care, is the need for constant attention to *higher quality care under existing conditions.*

Some of the quality leverage can be achieved by making it easy for physicians and other medical professionals to obtain the very latest in approved methodology, equipment and chemotherapy.

More leverage can be exerted by bridging some of the jurisdictional gaps and bringing persons in related occupational categories into closer working cooperation. Sometimes reminders of what is the best routine are needed. For instance one recent study showed that the very cancer physicians who are constantly urging others to take an annual proctological examination have, themselves, skipped such examinations for years, indicating that they bow to habit while enunciating scientifically proven procedures.

Comparing 1970 figures with those for 1973, RMP has used quality assurance projects to involve 1,200 professionals in planning, development and instruction and will involve 2,975 in 1973. The number of providers trained has moved from 6,872 to 58,574. The number of facilities taking part in quality assurance programs has risen from 1,165 to 8,269. Patients directly served by these facilities totaled 4.6 mil. in 1970 and rose to 10.6 mil. in 1973 (including some persons getting health services though they were not suffering illness).

The quality of health care was directly improved by these RMP programs for persons served in 1970—37.9 mil.—but rising in the latter period to 87.5 mil. with access to the upgraded practices in those facilities involved.

BI-PARTISAN SUPPORT FOR RMP

There would be no use in trying to hide the fact that RMP was initiated under a Democratic administration. But the present Administration is mistaken if its health planners have convinced the White House that RMP is a partisan program that hasn't worked and can be done away with by Congress in the knowledge that this would be a politically safe move.

RMP serves in 56 regions in this country and has strong Republican support in many areas and has always been popular with Democrats.

Its aims have been echoed by the Republican Task Force on National Health in reports to the Platform Committee of the Republican National Convention.

Concerning the need to emphasize non-government participation in medical system reform, Rep. Tim Lee Carter (R-Ky.) said, "We should never underestimate the importance of private initiative in developing an efficient program for national health care. . . . It is imperative that the private sector of our economy be included in any national health plan."

With regard to the need for regional planning, Rep. Fred Schwengel (R-Iowa) told the convention, "Regional planning and control could play a significant role in the organization and administration of each proposal offered thus far (on cost control, facilities construction, and quality assurance). It could have a direct effect on the reduction of health care costs by coordinating the services provided by various hospitals and health care agencies to prevent the costly duplication which now occurs." RMP innovations have almost always come with the full participation and advice of existing hospitals in a region so that new systems and equipment could be called to the attention of all involved for optimal planning and the individual institutions.

Mr. Schwengel continued supporting the principles on which RMP has been operating by stating, "Encouragement of the training and use of paramadical personnel for routine medical procedures could lighten the work load of doctors in under-served regions, as well as make routine medical service available to a wider area in a shorter period of time." In fact, he went on to suggest that, "A subsidy against the educational debt of individuals pursuing this type of training could provide a powerful incentive."

"The most practical alternative" to the present system of health care, Mr. Schwengel said, "seems to be that of coordinating private and public systems to insure the continuance of both approaches and the advantages of each."

"The proposals offered in this report all require," Mr. Schwengel said, significant funding by the federal government. The effect of any good proposal can be severely limited by an insufficient allocation of appropriations. For this reason we must recognize the necessity of fully funding the progressive programs already in operation as well as any adopted from the suggestions of this report."

Mr. Schwengel could have been referring to the fact that RMP, even without any new money in fiscal 1974, would have a carryover fund of $70 mil. due to the fact that the Administration has withheld the amount of money needed to fully operate RMP. In the terms of good buisness management, the federal government made a big investment in a new program then tossed away much of that investment by not giving it sufficient operating support.

The third member of the Republican Task Force on National Health, Rep. Thomas F. Railsback (R-Ill.), abjured his colleages to "build on the best elements of our present medical system and reform those elements which are not effective," thus supporting one of the fundamental ideas behind the RMP approach to progressive change.

These leaders did not specifically mention RMP in their convention messages. But it is clear that, except for partisan purposes in the current struggle over Legislative and Executive power in Washington, both parties have expressed thorough commitment to the principles on which RMP has operated from its very inception despite whatever changes in specific programming have been ordered by federal topsiders since 1965.

Special Progress Report on Regional Medical Programs

(By John A. Mitchell, M.D., Deputy Director, California RMP; C. E. Smith, Ph.D., Director of Operations and Administration, Mountain States RMP; and Charles H. White, Ph.D., Program Director, California RMP)

The following summary reports initial findings of a special progress report of the 56 Regional Medical Programs. The prograss was analyzed for three program year periods beginning with 1970, including 1972, and projected to the 1973 program year. Many Regions have already initiated those activities included in 1973 projections. Each RMP provided comparable data which serves as the basis for this report.

Measures of progress and assessment of impact is divided into five basic sections:

Benefit to Consumers
Benefit to Health Provider Community
Community Based Activity
Resource Allocations
Location of Effort

Additional supportive detail and analyses are available from the authors.

1. Benefit to consumers

The RMPs have had a major impact in serving health needs of consumers.

People directly served

While RMPs do not ordinarily provide direct health services, there are numerous instances where direct services are provided as part of a demonstration. Examples include: (A) people screened in a multiphasic screening project, (B) patients treated by project staff of a demonstration unit for specialized cancer care, or (C) patients seen by a nurse practitioner or a neighborhood clinic supported by an RMP.

The following table summarizes people directly served in this manner (all tables rounded to nearest thousand).

TABLE I.—PEOPLE DIRECTLY SERVED BY RMP's: SUMMARY

	1970	1972	1973
Primary care	2,622,000	3,054,000	5,749,000
EMS	465,000	2,443,000	4,064,000
All others	2,716,000	4,143,000	4,085,000
Total	5,803,000	9,640,000	13,898,000

Table II summarizes in further detail people directly served in the course of RMP activities. Important trends are the increase in people served in primary and emergency care and the decrease of people served in "heart disease," including coronary care. A projected resurgence of effort in hypertension indicates RMP's flexible posture to respond to opportunities to meet local needs.

TABLE 11.—PEOPLE DIRECTLY SERVED BY RMP's BY PROGRAM CATEGORY

	1970	1972	1973
Primary care	2,622,000	3,054,000	5,749,000
Emergency	466,000	2,443,000	4,064,000
Heart disease	1,126,000	1,086,000	656,000
Cancer	413,000	523,000	595,000
Stroke	140,000	348,000	280,000
Kidney	13,000	33,000	41,000
Hypertension	135,000	84,000	186,000
Pulmonary disease	300,000	307,000	359,000
Health services/educational activities consortia and other shared resources	588,000	1,762,000	1,968,000
Total served	5,803,000	9,640,000	13,898,000

. . . People served by new types of health providers or those who have acquired new skills

The RMPs have made substantial progress toward accomplishment of their early mission of "bringing advantages in medical knowledge to the bedside of the patient." For example, many physicians and nurses have developed new skills related to coronary care units; many stroke teams have been developed;

large numbers of neighborhood health aides and clinic assistants have been trained, etc. Also, thousands of health professionals have improved or upgraded their skills to reflect new findings and latest advances in patient care procedures. Table III below summarizes services to people during selected one-year periods after health providers developed or improved their skills through RMP activities.

TABLE III.—PEOPLE SERVED BY HEALTH PROVIDERS WITH NEW OR IMPROVED SKILLS

	1970	1972	1973
Served by new types of health manpower (e.g., nurse practitioners)	969,000	5,033,000	6,203,000
Served with new skills developed in existing health manpower	19,383,000	25,392,000	32,524,000
Served by improving existing skills of health manpower	41,052,000	64,086,000	74,006,000

. . . *People served by increased capability of health systems*

The RMPs have served consumers by supporting the development of increased capability of the health system in measurable ways. For example, several RMPs supported the development of a transportation and communication network for emergency situations in a defined service area; several RMPs markedly improved the accessibility and availability of primary health care by the development of health centers, clinics, screening programs, and disease control activities. The numbers of persons "at risk" for that specific situation in the service area were thus served by the increased capability.

Another example is the number of heart attack victims in the service area where health system capability was markedly increased through RMP efforts. People actually using the system are counted in Table I; people "at-risk" or potentially served by increased capability of the delivery system are summarized in Table IV.

TABLE IV.—POTENTIAL PEOPLE SERVED BY RMP DEVELOPMENT OF INCREASED HEALTH SYSTEM CAPABILITY

	1970	1972	1973
Primary	37,725,000	67,798,000	74,458,000
EMS	24,425,000	71,937,000	75,696,000
Regionalization of secondary and tertiary care	82,583,000	92,476,000	76,770,000

. . . *People served by quality assurance programs*

The RMPs have increasingly invested resources in fostering the development of systematic programs to improve the quality of health care. The RMP definition of *Quality of Care Assurance* refers only to systematic efforts of determining deficiencies in individual or collective acts of medical care, developing corrective action, and implementing activities to result in demonstrably improved quality of care.

The RMPs more than doubled their investment in quality assurance programs between 1970 and 1972 ($4.5 million to $9 million, respectively). The projected 1973 expenditure has again almost doubled the 1972 expenditure ($14.6 million). Quality assurance programs have also had the effect of moderating costs to the consumer (e.g., fewer days in the hospital, less "overtreatment").

Table V summarizes the RMPs' accomplishments in this area of patient service by demonstrating the extent of RMP staff involvement and the numbers of health providers trained in medical audit, problem oriented records or PSRO activities. Dramatically increasing numbers of in-patient and outpatient facilities are participating in RMP quality assurance programs.

People "directly" benefited are those patients visiting in-patient facilities or admitted to out-patient facilities during the time remaining in the year shown *after* the quality assurance program was developed. "Indirect" patients benefited are the people served by the institutions or offices where quality assurance programs have been fostered by RMP efforts.

TABLE V.—PEOPLE SERVED BY RMP DEVELOPMENT OF INCREASED QUALITY OF CARE ASSURANCE

	1970	1972	1973
Professional staff involved in planning, development, and instruction	1,208	2,438	2,975
Providers trained	6,872	32,894	58,574
Number of facilities participating in quality assurance programs	1,165	3,312	8,269
People directly served by quality assurance facilities	4,572,000	7,449,000	10,585,000
People indirectly served by quality assurance facilities	37,911,000	65,152,000	87,505,000

II. Benefit to the health provider community

RMPs' efforts have resulted in a substantial number of innovative, new types of health personnel to provide needed service to American citizens. For example, RMPs have supported training and placement of nurse practitioners and physician assistants to extend the services of the family doctor in underserved rural and urban areas of the nation. RMP efforts alone in 1970 resulted in the addition of some 7,500 persons of this and other types of critically needed new health manpower. By 1972, almost 14,000 people had been trained through RMP efforts. Projections for 1973, based on the RMPs' program requests to RMPs, indicate plans to train almost 38,000 *new* Allied Health professionals to serve in essentially *new roles* to fill gaps in service.

The RMPs have provided opportunities for a wide array of health providers to develop new skills or improve existing skills in order to provide improved service to citizens. Table VI summarizes the numbers of health providers who have developed skills in RMP-supported activities.

TABLE VI.—NUMBER OF PROVIDERS TRAINED

	1970	1972	1973
MD, DDS, DO:			
New skills, existing personnel	13,561	16,164	9,567
Improved skills, existing personnel	62,323	62,153	65,924
RN, LVN:			
New skills, existing personnel	38,159	42,812	28,845
Improved skills, existing personnel	79,030	95,480	106,557
Allied health:			
New types of allied health professionals	7,526	13,825	37,926
New skills, existing personnel	34,641	48,663	48,158
Improved skills, existing personnel	41,006	104,144	120,662

III. A community based activity

The RMPs are a decentralized national program working with local health provider systems with decisions made by a broad-based local citizen and professional advisory group. The RMPs have involved large numbers of volunteer citizens concerned about health problems of the nation. Almost 19,000 regular volunteers serve long hours, often at considerable personal financial sacrifice, to study and act upon health problems in a way that is best suited to local situations. RMPs' regular voluntary advisory structure includes:

	Number	Percent
Members of the public	4,505	23.7
Doctors (M.D., D.O., D.D.S.)	6,920	36.5
Nurses and allied health	4,090	21.5
Health administrators	3,469	18.3
Total	18,984	100.0

Note: Of this number, over 2,600 advisers are from minority population groups—a significant proportion compared to national averages.

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RMP staffs are a unique and effective blend of the wide range of skills, training and experience necessary to move effectively toward solution of today's complex health problems. In 1972, composition of full and part-time staff of the 56 RMPs was as follows:

	Number	Percent
Doctors (M.D., D.O., D.D.S.)	1,691	18.8
Nurses and allied health	2,294	25.5
Social and behavioral sciences	2,434	27.1
Supporting staff	2,569	28.6
Total	8,988	100.0

Of this highly qualified and experienced staff, 1,617 persons were from minority population groups. Few other federal programs can make such claims.

IV. Resource allocations

The RMPs have allocated their program funds in four basic programmatic thrusts:

. . . *More effective use of manpower* including new skill development, improved skills, sharing training resources with underserved areas, and coordination and improved utilization of health manpower training.

. . . *Improved accessibility and availability of primary medical care* including new or improved services such as family health centers, free clinics, hospital-based ambulatory care centers.

In response to a recognition of severe access problems to primary care in underserved areas, RMPs have projected more than twice their resources to primary care programs (including EMS) in 1973 than in 1970 (approximately $37 million projected in 1973, $24 million in 1972, and $12 million in 1970).

. . . *Regionalization of secondary and tertiary* (*specialized*) *care* including general institutional sharing of scarce resources such as radiation facilities, joint purchasing and direct categorical disease services in heart disease, cancer, stroke and others.

While percent of total dollars devoted to efforts of regionalization of secondary and tertiary care has diminished slightly, RMPs have actually increased the number of dollars invested in developing shared resources and regionalization of care in cancer, heart disease, and other categorical programs.

. . . *Quality of Care Assurance* including RMPs' work with hospitals, outpatient departments, and physicians in private practice to stimulate medical audit and improved medical records as a method of assuring high standards of medical care.

Table VII summarizes distribution of RMPs' resources.

TABLE VII.—DISTRIBUTION OF RMP's RESOURCES

Function	1970		1972		1973	
	Amount	Percent	Amount	Percent	Amount	Percent
More effective us of manpower	$24,163,000	32	$24,790,000	29	$30,930,000	27
Improve accessibility and availability of primary medical care:						
A. Primary	$11,413,000	15	18,205,000	21	28,427,000	24
B. EMS	832,000	1	5,695,000	6	8,637,000	7
Regionalization of secondary and tertiary care	24,039,000	32	23,257,000	27	26,675,000	23
Quality of care assurance	4,506,000	6	8,916,000	10	14,622,000	13
Administrative costs	10,662,000	14	6,186,000	7	7,543,000	
Total	75,575,000	100	87,049,000	100	116,834,000	100

. . . *Administrative Costs* including relating the program to the grantee institutions. They show a substantial (50%) decrease from 1970 to 1973. This trend reflects the fact that as RMPs continue to become more efficient organizations, more program staff time goes directly to service programs. Conclusion is that RMPs are well honed, efficient organizations, and have become increasingly so over the five-year period studied.

V. Location of effort

A previous study of nine Regions from which data were readily available provides an indication of RMPs' resource allocation by location of effort. RMPs have succeeded in implementing a greatly increased number of programs and projects located in community organizations and community hospitals while retaining their efforts located in medical schools, medical school affiliated hospitals, professional organizations, and voluntary societies. Similar data are not yet available for other Regions. Table VIII summarizes the location of effort of the selected Regions.

TABLE VIII.—LOCATION OF EFFORT IN SELECTED REGIONS

	1970		1972		1973	
	Amount	Percent	Amount	Percent	Amount	Percen
Medical school	$2,943,000	20	$2,439,000	16	$2,234,000	11
Medical school affiliated hospital	2,406,000	16	1,747,000	11	2,214,000	11
Community hospital	4,218,000	29	4,012,000	26	4,574,000	22
Professional organization/voluntary society	2,260,000	16	2,211,000	14	2,281,000	14
Community organizations	2,763,000	19	5,172,000	33	8,825,000	42
Total	14,590,000	100	15,581,000	100	20,128,000	100

LEADERSHIP CONFERENCE ON CIVIL RIGHTS,
Washington, D.C.

Hon. SAMUEL R. PIERCE, Jr.,
General Counsel, Department of the Treasury,
Washington, D.C.

DEAR MR. PIERCE: These comments are directed to the recently issued interim regulations of the Department of Treasury on the administration of the State and Local Fiscal Assistance Act of 1972, appearing as Part 51, Chapter I, Subtitle B in Title 31 of the Code of Federal Regulations. The particular concern of our organizations is with the adequacy of provisions of the regulations designed to prevent discrimination on the ground of race, color, religion, national origin or sex. As detailed in these comments, we believe that the proposed regulations do not provide a scheme of administration and enforcement which would assure that all persons will be able to participate without discrimination in the programs and acivities subsidized by revenue sharing funds.

I. The need for strong Federal controls to assure equal opportunity

From the outset it has been recognized by most proponents of revenue sharing that, while the purpose of the program was to cede broad authority and discretion to states and localities in determining the uses of Federal funds, it was imperative that the Federal government not relinquish its authority and duty to assure that all citizens receive the equal protection of the laws guaranteed them by the Constitution.

This recognition was made concrete when the Administration in proposing revenue sharing legislation included a nondiscrimination provision. The importance of assuring equal opportunity was stressed in statements by Secretary Shultz (then Director of the Office of Management and Budget) and other members of the Administration. And the Congress made its policy manifest by including in the law a specific provision outlawing discrimination (Section 122) and enumerating some of the sanctions to be employed in remedying violations.

But, in adopting a strong prohibition against discrimination, Congress left to the regulatory process the job of devising workable methods for translating the broad mandate of the statute into effective procedures for assuring compliance on the part of recipients. This is indeed a formidable responsibility for the Department of Treasury. It has been amply documented that in many of the areas designated as priorities under the law, e.g., public safety, health, environmental protection, state and local governments have engaged in discriminatory practices.[1] Unless effective methods are employed to eradicate these practices, revenue sharing funds will be allocated and spent in violation of Section 122.

Section 122 is not self-enforcing. Effective enforcement demands at a minimum that states and localities be advised of their substantive obligations under the law, and that workable procedures be developed for the Federal government to detect and remedy noncompliance.

The proposed regulations do not address these issues in any serious way. Indeed, the nondiscrimination provisions are simply a recitation of Section 122 of the law with statutory language from Title VI added. While this cursory treatment of equal opportunity is perhaps attributable to the need for haste in distributing interim regulations, there can be no justification for omitting detailed civil rights requirements from the permanent regulations.

II. The essential elements of regulations to guarantee equal opportunity

A. Making civil rights compliance a basic part of all procedural requirements of the law

One basic defect of the interim regulations is the exclusion of civil rights from the procedures established by the statute and regulations for checking upon other aspects of compliance. So, for example, #51.10 of the interim regulations requires a certification by the Governor to the Secretary that no entitlement funds have been used in violation of #51.30 (prohibiting the use of entitlement funds for the purpose of obtaining matching federal funds). But it does not contain any corresponding requirement of an assurance that #51.32 (Discrimination) has been complied with.

Certainly, the difficult problems of securing civil rights compliance may merit the establishment of *additional* procedures. But this fact does not justify exclusion of civil rights as a component of the mechanisms to be used by Treasury in securing compliance with other requirements of the law.

Accordingly, in submitting reports on planned use of funds, a recipient should not only be required to show that the contemplated uses of the funds come within the standards of the Act, but also should be compelled to set forth facts demonstrating that the assisted activity is now, and in the future will be, operated on a nondiscriminatory basis. Similarly, the recipient in filing reports on the use of funds should be required to furnish information not only on the uses to which revenue sharing funds have been put but also on whether all groups had an opportunity to participate in the assisted activity, and to receive benefits from it, on an equal basis.

In short, we urge that the provisions in the regulations describing the basic monitoring and enforcement mechanisms to be used by the government to assure compliance with the general requirements of the Act also speak to the recipients' responsibilities insofar as nondiscrimination is concerned.

B. The need to define the substantive equal opportunity obligations of recipients

It will be difficult, if not impossible, for any compliance procedures to operate effectively unless the regulations provide to recipients and to federal officials some motion of the nature of their equal opportunity responsibility. The broad language of the statute does not speak to the nature of the recipients' obligations in specific detail. Nor does the concept of what a recipient is obliged to do

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[1] On discrimination in public safety, see *NAACP* v. *Allen*, 4 FEP Cases 318 (M.D. Ala., 1972); *Castro* v. *Beecher*, 334 F.Supp. 930 (D. Mass., 1971).

On discrimination in the provision of general municipal services, see *Hawkins* v. *Town of Shaw, Mississippi*, 437 F.2d 1286 (5th Cir. 1971).

As to environmental services, the Economic Development Administration of the Department of Commerce and the Environmental Protection Agency have uncovered several instances of discrimination by local governments in the provision of water and sewer services, in Alabama, Virginia and other States.

For a general description of problems of discrimination at the State and local level in the administration of federally-assisted programs see the *Federal Civil Rights Enforcement Effort*, A Report of the United States Commission on Civil Rights, October 1970.

to assure equal opportunity emerge from the bare description of the compliance mechanisms themselves.

One part of what is needed is an explanation of the standard of performance recipients will be expected to follow to carry out their equal opportunity responsibilities.

A basic part of such a standard is suggested by the language of the statute itself which provides that no person shall be discriminated against "under any program or activity funded in whole or in part" with revenue sharing funds. Section 122(a). As identical language has been interpreted under Title VI, this provision means that before a program can be funded a potential recipient is under an obligation to demonstrate that his activity, at the time of application and prior to the receipt of funds, is operating on a nondiscriminatory basis. This requirement extends not solely to that part of a recipient's program that is receiving the federal aid. It covers all aspects of the program.

For example, under the law, a grant to improve a municipality's water treatment facilities may not be made unless the sewer system feeding the facilities is provided the community without discrimination. This standard, requiring a demonstration of compliance before the grant is made, and covering the whole of a program receiving assistance, is basic to the revenue sharing nondiscrimination procedures. Recipients should be clearly advised by the regulations that activities not being operated now on a nondiscriminatory basis will not be funded even if a recipient promises to use the revenue sharing funds themselves equitably.

In addition, Federal agencies charged with enforcing Title VI have found that it is necessary to give substantive content to the law through the issuance of regulations and guidelines. Such regulations ordinarily make it clear that the law prohibits not only intentional acts of discrimination but practices which have the effect of discriminating. They also specify the types of actions that may have a discriminatory effect, e.g., the selection of sites for facilities in areas which will not serve minority populations.

At a minimum, it is necessary that the revenue sharing regulations incorporate by reference all appropriate Title VI regulations and guidelines that define the substantive obligations of recipients.[2] Additional work will be needed, however, to develop standards in areas where Title VI standards do not suffice. For example, the revenue sharing law, unlike Title VI, prohibits discrimination on grounds of sex. It will be incumbent upon the Department of Treasury to develop appropriate standards to define the kinds of practices that will be prohibited as discriminatory on grounds of sex.

C. The need to specify ongoing compliance and monitoring procedures

The regulations, in addition to their failure to provide general standards and policies for enforcement, also do not provide sufficient explanation of the compliance procedures that will be used to carry out the basic nondiscrimination requirements. As previously noted, recipients are not informed of how nondiscrimination concerns should be dealt with in the pre-grant plans and post-grant reports the statute and regulations require them to submit. Both these submissions should be required to include portions dealing with how the assisted program is affecting the minority population. The Office of Management and Budget has provided a model of how minority impact can be reported in the context of federally assisted activities. Their Bulletin 73–3, issued on September 1, 1972, requires each federal department and agency to provide data by race and ethnicity on the number of beneficiaries served by its major assistance programs, the number of persons in the eligible population, the number of applicants, and the nature of any adverse effects on the minority population (such as forced relocation) that results from the operation of the program. A similar report form, amended to include sex as well as race, would be suitable for use as part of the revenue sharing compliance mechanism.

In addition, the regulations should provide *time limits* for each step in the compliance procedure rather than the present use of a "reasonable time" standard applied to a governor's voluntary compliance efforts in section 51.32(b)(1).

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[2] See the revised Title VI regulations of the Department of Transportation, which are serving as a model for updating all the Departments' and agencies' Title VI provisions, particularly sec. 21.5(b)(3) prohibiting discriminatory site selection; sec. 21.5(b)(7) recognizing the need for affirmative action to overcome the consequences of past discrimination; and sec 21.5(c)(3) requiring equal employment practices by recipients in order to assure fair treatment of beneficiaries.

Another part of the compliance mechanism that is not dealt with in the present regulations is the assignment of ongoing monitoring responsibilities within the federal government. Unless Treasury is prepared to assume the whole burden of achieving compliance, it must devise a plan for allocating responsibility among other Federal agencies and officials. The type of procedure that would seem to be most suited to the revenue sharing program would be to delegate monitoring responsibilities for each major area eligible to receive funds (as spelled out in section 51.31(a) of the regulations) to the federal agency administering the major share of existing assistance to this area. (For example, Justice may be the appropriate agency to handle public safety, EPA to handle environmental protection, HEW to handle health and social services.) Each such agency would receive and review the recipients' plans and reports for their area of program jurisdiction, and would also handle on-site monitoring and complaints. Overall coordination and supervision of individual agencies efforts could be vested in the Department of Treasury in an office similar to that of the Office of Federal Contract Compliance for the federal contract area.

The Department of Justice, pursuant to section 122(c), would also have the responsibility to make investigations to enable the Attorney General to locate and prevent pattern and practice violations. The exercise of this important responsibility should be simplified by requiring the federal departments and agencies to refer automatically to Justice copies of all complaints filed by private parties, as well as investigation reports and other documents, including recipients' reports, that indicate the existence of discrimination problems.

It is important to stress that the compliance efforts of both Justice and the assigned federal agency not be limited to response to complaints but should include *agency initiated investigations* and monitoring, using the submissions from the recipients and periodic compliance checks as the primary tools.

It may be preferable for some of the details involved in the setting up of these compliance procedures to be spelled out in separate guidelines or instructions rather than the regulations themselves. We would have no objection to this approach. But both to satisfy legal obligations in an administrative arrangement of this type, and to keep recipients and the public duly informed, it is necessary for the regulations at least to describe the basic framework of the compliance mechanisms, and the basic standards of performance that will be expected from the recipients.

D. The need for adequate enforcement procedures and flexible sanctions

The formula spelled out in section 122(b) of the statute is to give the Secretary of the Treasury the responsibility for determining noncompliance, and the governor of the state in which the recipient is located the primary authority for securing compliance where violations have been uncovered. We have already noted the need for establishing time limits with respect to the governor's compliance efforts and the need to establish substantive standards, e.g., by incorporating Title VI regulations, to guide the Secretary in determining whether the governor's resolution meets the requirements of law.

In addition, while not explicitly stated in the statute, the delegation of authority to governors to secure compliance necessarily presumes that each governor will establish mechanisms to assist him in performing his responsibility. Considerable discretion obviously must be left to individual states but the regulations should require each governor to submit to Treasury a statement indicating the staff or agency he will rely on to secure compliance. If governors fail to establish appropriate mechanisms the time limits permitted them to secure compliance before Federal sanctions are imposed should be reduced to an absolute minimum.

As to sanctions, it would be helpful to equip the Secretary of Treasury not only with the power to terminate funds but to use other intermediate measures for dealing with noncompliers who do not respond to the governor's efforts. This flexibility in the sanctions available is provided for in Section 122(b)(3) of the Act. One type of intedmediate sanction already incorporated in the regulations for other purposes is Section 51.31(b), authorizing the Secretary to require repayment of 110 percent of funds improperly used for expenses not authorized by the Act. Another type of intermediate sanction recognized and widely used under certain conditions under Title VI is pre-grant deferral of funding where there are substantial grounds to believe that discrimination exists. See section IIA(2) of the Attorney General's Title VI Enforcement Guidelines, 28 CFR section 50.3.

Other types of intermediate sanctions that would give the Secretary greater flexibility in dealing with cases of noncompliance in the administration of federal assistance programs have been suggested by the Administrative Conference of the United States. These include public disclosure of cases of suspected noncompliance, of the nature of the possible violation and of the steps needed for satisfactory resolution; and the imposition of additional reporting or monitoring requirements of the suspected noncompliers designed to give more positive assurance that all requirements are being met.

E. Informing and involving the public

Since the oft-stated rationale for revenue sharing is to return "power to people," it might have been expected the regulations would take particular care in spelling out procedures for informing the public, and giving it an opportunity to participate in planning and to monitor the results. Such procedures are particularly important to minority groups which are often not adequately represented in the decisionmaking councils of government. Accordingly, we urge that the regulations to be adopted to implement 121(b) include an explanation, more detailed than that set out in the statute itself, of what the plan will contain and how it will be used by the government to assist in assuring compliance.

As we have noted, the recipients should be required to describe expected minority impact (in terms of participation of beneficiaries and possible negative effects) in the plans, and also to provide some indication that the programs that will be receiving funds are presently being operated on a basis that assure equal access and equitable distribution of benefits to minorities and women.

In addition, the regulations should require each recipient locality to adopt some regular mechanisms for drawing up plans for revenue sharing disbursements, and for assuring that minority interests will be adequately heard in the planning process. One way to accomplish the latter result would be to require all plans to be distributed by recipients widely in their communities before submission to the governor and/or Treasury. Local human rights agencies, community actio nagencies and other groups representing the inteersts of women, minorities and other members of the public should be given a chance to be heard before the plans are final.

Similar public distribution requirements, including the use of several types of news media, should govern the post-grant reports filed by the recipients with Treasury in addition to the minimal technique of newspaper advertisement now specified in section 51.10(c).

Conclusion

We recognize, as we have noted, that many of the defects in the published draft are attributable to the fact that they are simply a recital of the interim regulations which were necessarily issued in haste. But we do not believe that the procedures adopted by Treasury for securing public comment upon the proposed permanent regulations will be sufficient unless another opportunity for comment is provided after permanent regulations are drafted. We have had to deal with #121(b), for example, not by reacting to regulations proposed by Treasury, but by stating what we believe should be included in such regulations.

Accordingly, while we appreciate the opportunity to comment, we urge that an additional opportunity for public comment be provided after permanent regulations are drafted. While this may result in a short delay in the final issuance of permanent regulations, it is imperative that in the process of reallocating authority within the Federal system the utmost care be taken to assure that the rights of citizens to the equal protection of the laws are not denied.

Sincerely yours,

Harold C. Fleming, Chairman, Program Coordination, Task Force, Leadership Conference on Civil Rights, and Jack Beidler, Legislative Director, United Auto Workers; Lucy Wilson Benson, President, League of Women Voters; Jane Chapman, Co-Director, Center for Women Policy Studies; John Cosgrove, Director, Division of Urban Affairs, U.S. Catholic Conference; Marian Wright Edelman, Director, Washington Research Project; Cenoria Johnson, Director, Washington Office, National Urban League; J. Francis Pohlhaus, Counsel, Washington Bureau, National Association for the Advancement of Colored People; Ann Scott, Vice President for Legislation, National Organization of Women; William L. Taylor, Director, Center for National Policy Review.

[From the Washington Post, Mar. 1, 1973]

BIAS STRING ATTACHED TO REVENUE-SHARING

(By Susanna McBee)

The Treasury Department strengthened the anti-discrimination section of its revenue sharing regulations this week but not to the full satisfaction of a civil rights group pushing for tough anti-bias rules.

"I think we've met the major concerns of the civil rights people," said William H. Sager, chief counsel of the Department's Office of Revenue Sharing, of the proposed new regulations published in the Federal Register.

However, William L. Taylor, director of the Center for National Policy Review, a public interest law group that specializes in civil rights, said, "They've gone a small part of the way but we're still far short of assurance that we'll have an effective enforcement program."

The anti-discrimination rules, which cover only a tenth of the entire set of regulations, are important because they represent some of the few strings in the basically no-strings attached fund the federal government distributes to states and localities. This year it totals $5.3 billion.

A major addition to the rules is a section called "Specific Discriminatory Actions Prohibited."

Under it, a state or community receiving funds cannot, on the basis of race or sex, deny a service or provide a different service to any person or group. It cannot put them in segregated facilities, and it cannot select a site for a project, say, a sewer system, that excludes certain persons, say, blacks, from its benefits.

The section also provides that states and localities must consider whether the funds used will have the effect of discriminating against certain people. If they do, the state or locality cannot retain them merely by arguing that it did not intend to discriminate.

The section further provides that a locality cannot be accused of reverse discrimination if it uses the money to provide a service, for instance a fire station in a black community, that the community did not have before. In such a case, according to the new rules, it is merely correcting an imbalance in services.

Another new section allows individuals or groups who feel discriminated against to file their complaint with the Treasury Secretary, who, if he believes it may be valid, "will cause an investigation to be made."

Then if he determines that a local government is indeed discriminating, he must notify the governor of the state where the alleged bias occurs. The new rules give the governor 60 days to secure the locality's compliance with the anti-discrimination rules. If he does not or cannot, funds will be cut off.

All these new provisions were praised by Taylor. But he said a major problem with the new rules is that they don't specify that the Treasury Department should make sure that a locality's programs are free of discrimination before giving it revenue sharing funds.

"For instance," he said, "if a community asks for money to add a 50-bed annex to a hospital, Treasury officials should find out whether the hospital is operated on a nondiscriminatory basis. Does it exclude anyone because of bias? Does it have blacks or chicanos on its staff?

"Or if a community wants funds to raise the salaries of its firemen, it ought to submit data showing how many blacks are in the fire department and what their positions are.

"We believe the issue is not whether revenue sharing money itself will be used for discriminatory purposes but whether it will go into a program that is discriminatory," Taylor said.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
Manchester, N.H., February 23, 1973.

HON. JOHN ORESTIS,
Mayor of Lewiston,
Lewiston, Maine.

DEAR MAYOR ORESTAS: You should receive shortly a letter from Floyd H. Hyde, Assistant Secretary for Community Development, describing the funding policy for the Model Cities Program through June 30, 1974. To ensure, however, that you, your CDA staff and your citizen participation structure have early informa-

tion for planning, I shall summarize the policy and outline the way we propose to implement it.

The President's Budget includes no new Federal obligations for Model Cities after June 30, 1973. The Department of Housing and Urban Development expects Model Cities Programs in individual cities to be phased into the cities' overall community development efforts under some form of Community Development Revenue Sharing. For planning purposes, you should assume that Community Development Revenue Sharing will be in effect July 1, 1974.

Model Cities supplemental funds on hand are sufficient, when used in conjunction with funds available in your present contract, to provide for continuation of the program at a substantially reduced rate from February 1, 1973, to June 30, 1974.

We expect to receive our fund assignment shortly and will notify you of your new target figure by February 28, 1973. In anticipation of your new funding level, you should begin to identify and make necessary reductions in your current spending rate as quickly as possible.

To retain maximum flexibility, you should not sign new contracts or begin new projects until you know the amount of funds available to your city. You should also, to the extent possible, place spending restrictions on the agencies with which you now have contracts.

My staff, Regional Model Cities staff, and staff of other Federal agencies will be available to provide you with technical assistance.

Let me assure you that we will keep you accurately informed and will try to provide every assistance that we possibly can.

Sincerely,

CREELEY S. BUCHANAN, *Area Director.*

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., February 23, 1973.

Hon. ROBERT CLIFFORD,[1]
Mayor of Lewiston,
Lewiston, Maine

DEAR MAYOR CLIFFORD: I am enclosing with this letter a copy of my instructions to our field staff relative to the funding of the Model Cities program through fiscal year 1974. This memorandum provides the framework within which each city's program will be reviewed and on which individual program funding decisions can be made with the cities. Our objective is to achieve the most equitable method of providing funding for the transition period leading up to Community Development Special Revenue Sharing. As you know, the Federal budget, released by the President on January 29, 1973, anticipates a $2.3 billion funding level for Community Development Special Revenue Sharing beginning July 1, 1974. It is for this interim period that a funding strategy must be developed for each city. Most important, however, this time should be used to make an effective transition to revenue sharing. It is hoped that each city will utilize the lessons it has learned from the Model Cities program to this end.

By this time, you have probably already been contacted by the Area or Regional Office servicing your city to discuss review of your Model Cities program. As you may know, I have directed that all decisions regarding program funding be made by February 28, 1973. In this way, you will have a firm target against which to plan. I also have asked that each city be given the maximum flexibility legally possible in developing its program strategy for the next 17 months.

The kinds of decisions which you will have to make on your Model Cities program are the management decisions we have always considered essential to good management of Model Cities. You will, for example, have to evaluate projects, weed out unproductive activities, reprogram funds and transfer funding to non-Model Cities sources. You will also have to determine your priorities and the most effective management system appropriate for your city under the future legislation. Since it is planned that the first special revenue sharing monies will be available to cities on July 1, 1974, time is limited and it is important that you

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[1] Mayor Clifford on this date was the former mayor of Lewiston and had been succeeded by Mayor Orestis.

initiate those strategies that will enable you to operate both effectively and toward your community development goals within the remaining months of the transition.

I hope the enclosure will clarify any questions you and your Model Cities Director may have had and that, if you have further questions, you will not hesitate to contact our staff in your Area or Regional Office, who stand ready to assist you in every way possble. I look forward to working with you in moving toward achieving more effective solutions to our nation's urban problems.

Sincerely yours,

FLOYD H. HYDE, *Assistant Secretary.*

Enclosure.

JANUARY 30, 1973.

Memorandum to: All regional administrators.
From: Floyd H. Hyde, Community Development.
Subject: Funding of the model cities program during fiscal year 1973.

As you are all aware, we expect the Model Cities programs in the individual cities to be phased into the cities' overall Community Development efforts under some form of Community Development Revenue Sharing (CDRS). The President's Budget makes it clear that we can expect no new Federal obligations specifically for Model Cities after June 30, 1973. For planning purposes, cities should assume CDRS will be in place by July 1, 1974. Decisions to fund after July 1, 1974 will be made by general purpose city governments out of funds available to each government, including CDRS funds, as the local community sees fit.

It is extremely important that cities, with assistance of HUD field staff, explore all possible sources of funds to carry on significant programs when supplemental funds are no longer available. Regional Administrators should request the Regional Council to give this problem high priority consideration.

Model Cities supplemental funds on hand are sufficient to provide, on the average, Model Cities (excluding Planned Variations cities) with new funds at a rate of 55 percent of the current grant level from February 1, 1973 to July 1, 1974, with no additional funding thereafter. Not all cities will be funded at the average rate. Funds will be withdrawn from poor performers, and reallocated to better performers.

A specific figure will be given to each non-Planned Variations city by the Regional Office for the new grant funds, if any, which it may expect to add to those funds already under contract to the city.

All Planned Variations cities will receive two annual Planned Variations grants at the same amounts previously targeted. The 16 city-wide Variations cities will also be funded with regular Model Cities funds at their full target figure through the end of the second Planned Variations action year, or until January 1, 1974, whichever is earlier. Their regular MC funding after that will be on the same basis as other cities for the period from the end of their second PV year, or January 1, 1974 to July 1, 1974. This funding will be projected and provided before June 30, 1973.

Within the limit of funds available, each city should be encouraged to work out the method of transition most suitable to that city. We will not expect or require that all funds be expended by July 1, 1974, if a city's transition plan should provide for a more gradual phasing into CDRS. City governments should be given maximum latitude in such matters as project termination dates, phase-out of specific activities, and the shifting of projects to other sources of funds. Any of these actions will require shifts of funds from project to project and category to category. HUD approval should be considered as routine, with no delays; our posture should be one of assistance in transition, not of review.

It is anticipated that not all cities will receive an average reduction. In allocating new grant funds among the Model Cities, Regional Administrators should look closely at each of the following factors for each city:

1. The number of months from the start of the city's next program action year until July 1, 1974.
2. The amount of carryover funds the city now has and/or will have when refunded. The nature of this carryover, e.g., can it be reprogrammed to obviate the need for new funding?
3. The record of the city in shifting successful Model Cities projects from supplemental funds to other Federal or non-federal sources.

4. The demonstrated capacity of thee local program to evaluate its projects and move funds from unsuccessful projects.

5. The general performance of the local program as assessed over recent years by the RICC (or Regional Council) and/or HUD.

The following are operating rules for Regional Administrators' use in carrying out a final transition funding strategy for Model Cities:

1. Form 718's (Funds Reservation and Contract Authority) for individual cities will not be sent to Regional Offices. Those which have been provided to the Regions for non-PV cities that have not yet had approval of the new action year announced or contract tendered will be cancelled by the Central Office. (This does not include special fund assignments for relocation which in some cases have not yet been put under contract.)

2. A single fund assignment will be sent each Region to allocate its total new funding for Model Cities. This block allocation plus the prorated funds available in existing grants as of February 1, 1973, will be approximately sufficient to allow all cities in a Region in aggregate, to operate at 55 percent of the program level set by the present annual target figures until July 1, 1974. For example, if a city has a $2 million target and an action year already approved to run to July 31, 1973, it would be assumed that a prorated share of the existing outstanding grant would be available. That is, we would expect $1 million (six months funding for the last six months of the action year) to be available on February 1, 1973. Fifty-five percent of the $2 million program level (based on present target figure) would be $1.1 million per year or about $1.6 million for 17 months. If $1 million were already available in the existing grant, then approximately $600,000 would be available in the block assignment for additional funding for that city to give it an operating level of 55 percent of its present target from February 1, 1973 to July 1, 1974. The $600,000 would be the final Model Cities grant for that city if no other supplemental funds were available because of reduced funding in other Model Cities in the Region.

3. The 55 percent program level will be an average level. Based on the factors set forth in numbered paragraphs 1–5, Regional Administrators may vary the level for individual cities. No one city may have its present program level cut by less than 20 percent or more than 60 percent without Central Office concurrence.

4. We expect that Regions will be able to find additional funding available in the form of excessive carryover which could be tapped to minimize the extent to which program levels must be reduced. This is one reason for which funds are being given to Regions in a block allocation so that Regional Offices can make a case-by-case review of the city programs and allocate funds in the most effective and equitable manner.

5. After Regional determination of the appropriate level of new funds for each city, the Regional Administrator should approve a Form 718 for each city in the amount determined. Approved 718's should be sent to: 1) Director of the Regional Accounting Division; 2) Area Office Director; 3) Central Office, Attention Program Budgeting Division, Community Development. Regional Community Development program staff should be responsible for preparing 718's for approval of the Regional Administrator.

6. Each Regional Administrator must notify all Model Cities (including PV cities) in his area by February 28, 1973, of the target grant figure it can expect as its final grant and the approximate funding date within fiscal year 1973. This target is to be based on a review of all cities and Regional decisions as to applying carryover. Regional Offices will make a complete division of the Regional fund assignment among cities (i.e., no 'holdback"). Those with plans for review and approval in February should be provided new target figures as quickly as is feasible. Notices to the city should be sent to all key actors, including mayor, city manager, CDA director, and chairman of citizen participation structure.

7. Cities funded with a full action year in early January 1973, or December 1972, already have available to them, with no further grants, new supplemental funds representing more than 60 percent of previous funding levels. As a matter of equity among cities, Regional Office should look closely at the possibility of recapturing some funds from such cities, where this can be accomplished without immediate contract or program disruption. For example, funds for new projects on which HUD has placed "holds"

and funds for matching grants, from other Federal programs, which are not likely to materialize should be recaptured in most instances from cities who otherwise would have a higher level of funding than the Regional average or their standing on the factors above would indicate.

8. Transition planning is the highest priority of the national Model Cities funding. The Federal role should be one of guidance and technical assistance and not of requests and critiques of paper submissions. The following submission procedures are designed to provide the maximum flexibility to the cities:

(a) Regional Administrators should permit Area Offices to make the final Model Cities grants at any time during the present fiscal year, irrespective of the ending of present action year. *However, all grant contracts must be tendered prior to June 30, 1973.*

(b) Cities which have 12-month submissions before HUD at this time or who are far advanced in the planning and writing of such submission may be reviewed and funded, in accordance with the Regional fund plan, on the basis of such submissions. The city can be given 90 days, or longer if necessary, to revise its grant budget to reflect operations to July 1, 1974.

(c) Cities making entirely new submissions in accordance with these new guidelines should be permitted and encouraged to keep all parts of the submission to a minimum. The provisions of MC Circular 3185.30, Review of Second and Succeeding Action Year Submissions, which specify the detail of project description required are hereby waived. Project descriptions may be limited to the level of detail called for for Planned Variations cities in accordance with my memorandum dated February 23, 1972, Submission and Review of Project Information in Planned Variations City-Wide Model Cities Programs.

In conclusion, let me emphasize that almost everything we must do to assist cities in this transition would make good sense even if there were no proposed successor legislation and no change in Model Cities funding. Providing cities a true choice of strategy and projects; urging them to evaluate their projects and to find permanent funding sources for the successful ones; reducing the amount of paper we exchange with cities—all of these have been part of our Model Cities approach for years.

The period ahead is a major challenge for us and the cities. The substantial budget proposed for CDRS in FY 1975 assures that a successful transition will result in cities being in better position to meet their problems than they ever have been. I know we will succeed.

FLOYD H. HYDE, *Assistant Secretary.*

CITY OF LEWISTON,
OFFICE OF THE MAYOR,
Lewiston, Maine, February 20, 1973.

Senator EDMUND S. MUSKIE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MUSKIE: I write this letter to indicate the effect the President's FY 1974 Budget and impoundment actions will have upon the City of Lewiston. If the curtailments are allowed to occur, the impact upon my City's economic, social, and physical health will be crippling.

As you know, in the last three years Lewiston has made substantial use of the "categorical" federal programs. Through the use of Model Cities funds as seed monies, we have begun to attack our most serious social, economic, and physical problems in a comprehensive and effective manner improving the quality of life for Lewiston residents.

The attached impact statement indicates that, in the next eighteen months, the City of Lewiston will lose over $7,500,000 in federal dollars that it had anticipated receiving for various programs. The impact of this loss in terms of reduced services, loss of jobs, and dollars lost to the local economy is quite substantial in itself. However, add to it the fact that we are only in the middle of our Model Cities Third Action Year and that we need at least one more year of full funding to insure the stabability of our projects, then the situation becomes critical. The federal government has "invested" almost $6,000,000 in Model Cities supplemental

funds in the City of Lewiston. Unless we have at least one more year of full supplemental funding ($2,010,000), many of the projects which were expected to become self-sufficient after the Fourth Action Year will have little chance of continuing beyond June, 1973.

We learned last Friday that the Boston HUD Regional Office, which normally expended $41 mil. per year on its twenty Model Cities programs, will receive only $15.8 million dollars as its final allotment for Model Cities. This suggests that Model Cities' programs will be reduced by more than 50%. This appears to be inequitable treatment for Region I (New England). A memorandum dated January 30, 1973 (attached) from Assistant Secretary for Community Development, Floyd Hyde, indicates that "Model Cities supplemental funds on hand are sufficient to provide, on the average, Model Cities with new funds at a rate of 55% of the current grant level from February 1, 1973 to July 1, 1974 . . ." Our Region's allotment amounts to about 40%, not 55%. So that, not only is the program being substantially reduced, but even the reduction appears to be inequitably calculated.

The City of Lewiston has consistently supported the concept of general revenue sharing and community development-special revenue sharing. These revenue sharing programs should enable Lewiston to develop its own priorities in expending its funds. These general revenue sharing funds have traditionally been proposed as "additional" federal dollars, *not* substitute federal dollars. What is happening, however, is obvious:

> The City of Lewiston has received $1,000,000 per year for its general revenue sharing allotment;
>
> The City will not be receiving approximately $7,500,000 in categorical monies over the next twelve to eighteen months to continue operating programs;
>
> The community development special revenue sharing monies will not be available, as proposed, until July of 1974 and these monies will only replace seven of the HUD programs—FHA 235 and 236 is not included.

Obviously, this is political chicanery in its highest form—that is—Presidential deceit. The federal government agrees to allot $1,000,000 per year for five years to the City of Lewiston to meet costs it could not normally fund (not to replace categorical monies), yet four months later, the President announces moratoriums and curtailments in many categorical programs and suggests in his budget message that many of these programs could be assumed by local and state government using their general revenue sharing monies, thereby breaking his original commitment and negating the effectiveness of general revenue sharing dollars!

The broken commitments, the substantial and unjustifiable program curtailments, the inequitable allocation of funds—all at a time when this City was just beginning to be revitalized by the very programs that are being cut—will seriously jeopardize the confidence our residents have in the federal government. I urgently request that you pursue the matter and try to correct the unjust treatment that our City is receiving presently.

Sincerely,

John C. Orestis, *Mayor.*

Enclosure.

Federal Impoundments and Fiscal Year 1974 Budget Impact in Lewiston, Maine

(February 20, 1973)

INTRODUCTION

In January, President Nixon announced his Fiscal Year 1974 Budget for domestic programs. This budget excludes the Model Cities Program, Neighborhood Facilities Program, and most "Community Development" type projects such as Open Space and Water and Sewer. The President's budget message was preceded by an announcement on January 8 by HUD secretary George Romney that several of the HUD categorical programs—including FHA 235 and 236—would be "frozen" immediately for at least eighteen months. Since the City of Lewiston, primarily through its Model Cities Program, has taken advantage of these categorical programs, the impact in terms of dollars and cents and services offered will be quite substantial.

The purpose of this statement is to generally indicate the impact the above actions will have upon federally funded programs operating in the City of Lewiston. This list is not complete and at this point, not all of the details are known. It is quite likely that as more information is received, the list of cuts and reductions will be larger. However, this report will provide an approximate statement as to the size of the cuts in the next twelve to eighteen-month period. In all cases, these monies were expected to have been received by the City of Lewiston from the Federal Government but, because of the above actions, will not be forthcoming.

It is the President's intention, as stated in his budget message, to phase out all of the HUD programs listed over the next seventeen months and establish a "Community Development-Special Revenue Sharing" Program which would begin in July of 1974. The President intends to use the next seventeen months as a transition period to move from the categorical approach to the "Community Development-Special Revenue Sharing" approach. However, it should be noted that the Housing programs are not part of this special revenue sharing approach and that the formulas to be used in allocating monies under community development have yet to be indicated. If the impoundments and FY 1974 Budget are implemented (and there is every reason to believe that they will be since the impoundments are already effective) the City of Lewiston will lose over $7,500,000 in the next twelve to eighteen-month period and will probably receive less than what it has been receiving when the Community Development Program goes into effect.

Federal impoundments and fiscal year 1974 budget—Impact in Lewiston, Maine

Program:	
Model Cities	$1,200,000
Code enforcement	240,000
Open space	250,000
Rehabilitation loans	250,000
Water and sewer	500,000
Housing	4,000,000
Emergency Employment Act	514,065
Title 4A	250,000
Older Americans Act	27,000
CAP	125,000
Economic Development Administration	350,000
Total	7,706,065

Programs To Be Affected

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Model cities program

The Lewiston Model Cities Program (currently in its Third Action Year with two and a half years left under normal circumstances) faces up to a 55% reduction in the next seventeen months, with a complete termination after July of 1974. The exact level of the reduction will not be known until March, however, it is probable that the curtailment of this program would result in a cut of up to $1,200,000.

Code enforcement

For several months the City of Lewiston has been in the process of developing an application for a Code Enforcement grant which would provide monies for the physical rehabilitation of the neighborhood near Spring Street, commonly referred to as "The Sunny Side Area". The grant level we were seeking would have been approximately $240,000 and would have operated similar to this type of program in Auburn. No dollars will be available for this program.

Open space

Lewiston has had good experience with the Open Space program, monies for which were used to purchase part of the Franklin Pasture, implement our comprehensive recreation program, and develop recreational facilities in Franklin Pasture. We had planned to develop the Franklin Pasture in phases and had anticipated applying for and receiving approximately $250,000 in matched Open

Space monies next year, however, the curtailment of the program means that no funds will be available.

Rehabilitation loans

Commonly referred to as "312 Rehab Loans" these dollars are the heart of the NDP and Code Enforcement prgorams. They provide low interest loans to persons living within the above designated areas to enable home owners to rehabilitate their homes. It was anticipated that approximately $250,000 in loans would have been secured for local residents had this program not been curtailed.

Water and sewer

The City has received water and sewer grants in the past and had begun developing an application for a $500,000 grant which would have been matched locally and would have addressed one of our major water and sewerage problems in the City.

Housing

Sections 235 and 236 of the FHA program have been used quite extensively in the City through the Alliance for Better Housing and various private developers. The "freeze" on these funds will mean that approximately $4,000,000 in development costs will be lost to the local economy in the next twelve to eighteen-month period.

DEPARTMENT OF LABOR

Emergency Employment Act

The Emergency Employment Act, administered by the Model Cities Agency, would have expended $514,065 in the twelve months beginning in August, 1973. If EEA is terminated, these people will become unemployed and the City will lose the benefits of this program.

HEALTH, EDUCATION, AND WELFARE

Title 4A

The recent change in 4A guidelines and the subsequent restriction on eligibility criteria and funding levels reduces the 4A money that is eligible to be expended in the City by over $250,000. These dollars supported social service programs in the child care and health areas and were particularly helpful for low income residents.

Older Americans Act

Dollars to continue services such as Meals on Wheels and programs such as Project Independence have been curtailed by the administration's action. The immediate effect is that the $27,000 to operate Meals on Wheels is not available and will need to be assumed by Model Cities.

DEPARTMENT OF COMMERCE

The Economic Development Administration dollars, which are currently being secured to expand our industrial park will no longer be available since the President intends to dismantle EDA entirely. This means that approximately $350,000 will not be available for subsequent industrial park development.

OFFICE OF ECONOMIC OPPORTUNITY

The Androscoggin County Task Force on Social Welfare, a CAP Agency, will be virtually eliminated. The Administration does not intend to fund CAP programs after July 1 of this year. This program has an annual operating budget of approximately $125,000 per year.

IMPACT

Services

Currently, using the above programs, child care services are offered to over 300 children from low-income families; 4,000 Senior Citizens participate in Hot Lunch, Meals on Wheels, craft and trip programs; comprehensive health services are offered to low-income children throughout the City; tot lots, hockey rinks, basketball courts and parks are being developed throughout the City; substandard housing is being eliminated; new housing is being constructed and older homes are being rehabilitated; neighborhoods in the City are undergoing physi-

cal rehabilitation. These and many other services and programs will be curtailed and in some cases completely terminated as a result of the President's FY74 Budget and recent impoundments. The quality of life in Lewiston, Maine will be substantially affected by the reduction in funding levels for these programs.

Jobs

The impoundments and reduced budget will eliminate over three hundred jobs and training slots for persons working in the projects. EEA alone accounts for one hundred ten jobs. These persons face unemployment if the programs are reduced. Also, persons who would have been employed in construction programs for water and sewer, housing, open space, EDA, and rehabilitation activities will be unemployed.

Money in the economy

Although the figures above are approximate, they do fairly represent the projected funding levels for the programs we are working with. In total, these reductions amount to $7,706,065—money that will not be received for various programs in the City of Lewiston; money that will not be expended on goods and services in the City of Lewiston—money that will not continue to vitalize the local economy.

THE WHITE HOUSE, *March 8, 1973.*

To the Congress of the United States:

Today, in this fifth report to the Congress on the State of the Union, I want to discuss the quality of life in our cities and towns and set forth new directions for community development in America.

Not long ago we became accustomed to the constant rhetorical drumbeat of the "crisis of our cities." Problems were multiplying so rapidly for our larger urban areas that some observers said our cities were doomed as centers of culture, of commerce, and of constructive change.

Many of these problems still persist, but I believe we have made sufficient progress in recent years that fears of doom are no longer justified.

What is needed today is calm reflection upon the nature of modern community life in the United States, a reassessment of the manner in which we are trying to solve our remaining problems, and a firm resolve to get on with the task.

America's communities are as diverse as our people themselves. They vary tremendously in size—from massive cities to medium-sized urban and suburban areas, to small towns and rural communities.

Just as importantly, each of our communities has built up strong individual characteristics over the years, shaped by region, climate, economic influences, ethnic origins and local culture.

Of course, communities do share common needs and concerns. People in every community want adequate housing, transportation, and jobs, a clean environment good health, education, recreation facilities, security from crime and fear, and other essential services. But local priorities differ; the intensity and order of local needs vary.

Clearly, no single, rigid scheme, imposed by the Federal Government from Washington, is capable of meeting the changing and varied needs of this diverse and dynamic Nation.

There is no "best" way, no magic, universal cure-all, that can be dispensed from hundreds or thousands of miles away.

What is good for New York City is not necessarily good for Chicago, or San Francisco, much less for smaller communities with entirely different economies, traditions and populations.

Too often in the past we have fallen into the trap of letting Washington make the final decisions for St. Louis, Detroit, Miami and our other cities. Sometimes the decisions were right, and programs have succeeded. Too often they were wrong, and we are still paying the price.

The time has come to recognize the errors of past Federal efforts to support community development and to move swiftly to correct them.

The results of past errors form a disturbing catalogue:

They have distorted local priorities.

They have spawned a massive glut of red tape.

They have created an adversary climate between local communities and

Washington which has often led to waste, delay and mutual frustration.

They have contributed to a lack of confidence among our people in the ability of both local and national governments to solve problems and get results.

They have led to the creation of too many complex and often competing Federal programs.

Perhaps worst of all, they have undercut the will and the ability of local and State governments to take the initiative to mobilize their own energies and those of their citizens.

The Federal policy that will work best in the last third of this century is not one that tries to force all of our communities into a single restrictive mold. The Federal policy that will work best is one that helps people and their leaders in each community meet their own needs in the way they think best.

It is this policy which binds together the many aspects of our community development programs.

THE BETTER COMMUNITIES ACT

In the near future, I will submit to the Congress the Better Communities Act to provide revenue sharing for community development. Beginning July 1, 1974, this act would provide $2.3 billion a year to communities to be spent as they desire to meet their community development needs. In the interim period before the legislation becomes effective, funds already available to the Department of Housing and Urban Development will be used to maintain and support community development.

The Better Communities Act is intended to replace inflexible and fragmented categorical grant-in-aid programs, and to reduce the excessive Federal control that has been so frustrating to local governments.

Rather than focusing and concentrating resources in a coordinated assault on a set of problems, the categorical system scatters these resources, and diminishes their impact upon the most needy. Excessive Federal influence also limits the variety and diversity of development programs. Local officials should be able to focus their time, their resources and their talents on meeting local needs and producing results, instead of trying to please Washington with an endless torrent of paperwork.

I first proposed such legislation in 1971, and although the Congress failed to enact it, significant support was expressed in both the Senate and the House. Since that time, members of my Administration have been consulting with Congressional leaders, mayors, Governors, other local officials and their representatives. Many constructive suggestions have been received and will be incorporated in my new legislative proposal. As a result, I believe the Better Communities Act will represent our best hope for the future of community development and will deserve rapid approval by the Congress.

Among the most significant features of the Better Communities Act are these:

Hold-Harmless Provision: The flow of money to cities and urban counties is to be based on a formula reflecting community needs, as determined by objective standards. In the years immediately following enactment, funds would be used to assure that no city receive less money for community development than it has received under the categorical grant programs.

Assistance for Smaller Communities: Funding is also to be provided for our smaller communities, recognizing the vital importance of small towns and rural communities to the future of the Nation.

The Role of State Government: State governments have always played an important part in meeting the community development needs of their communities. The Act will recognize this role.

Local Decision Making: While each of the activities now supported by categorical grants may be continued, it would be up to local leaders to determine how that money will be spent.

Minimizing Red Tape: Recipients would be required to show the Federal Government only that they are complying with Federal statutes in the way they are spending their revenue sharing money.

Elimination of Matching: Shared revenues would not have to be matched by local funds.

Protection for Minorities: Under no circumstances could funds provided under the Better Communities Act be used for purposes that would violate the civil rights of any person.

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A DEPARTMENT OF COMMUNITY DEVELOPMENT

One of the most serious deficiencies in the effort of the Federal Government to assist in community development has been the fragmentation and scattering of Federal programs among a variety of departments and agencies. All too often State or local officials seeking help for a particular project must shuttle back and forth from one Federal office to another, wasting precious time and resources in a bureaucratic wild goose chase.

In order to coordinate our community development activities more effectively, I proposed nearly two years ago that we create a Department of Community Development which would pull under one roof various programs now in the Departments of Housing and Urban Development, Transportation, Agriculture, and other agencies.

After extensive hearings on this proposal, the Committee on Government Operations of the House of Representatives reached this conclusion:

"The Department of Community Development will be a constructive center in the Federal Government for assistance to communities, large and small. It will facilitate rational planning, orderly growth, and the effective employment of resources to build viable communities throughout the United States. It will help to strengthen the physical and institutional bases for cooperative action by Federal, State and local governments."

This Administration fully agrees, of course, and will continue to work with the Congress for the prompt creation of a Department of Community Development.

In the interim, I recently appointed a Presidential Counsellor on Community Development who will coordinate community development programs and policies in the executive branch. But only when the Congress approves the basic departmental reorganization proposed by the Administration can our efforts to eliminate waste, confusion and duplication, and to promote community betterment more efficiently, be fully effective.

THE RESPONSIVE GOVERNMENTS ACT

For nearly 20 years, the Federal Government has provided assistance to State and local governments in order to strengthen their planning and management capabilities.

This aid, provided under the Comprehensive Planning Assistance Program, has always been helpful, but the program itself has several major flaws. It has tended, for instance, to stress one aspect of public administration—planning—without adequately recognizing other essential features such as budgeting, management, personnel administration, and information-gathering. Planning has often been irrelevant to the problems and the actual decisions. State and local governments have also found it difficult to coordinate their planning because of the fragmented way in which funds have been sent from Washington.

This Administration proposed new planning and management legislation to the 92nd Congress, but it was not approved. In the meantime, we took what steps we could to improve the existing program. Some progress has been made, but corrective legislation is still needed.

I shall therefore propose that the 93rd Congress enact a new Responsive Governments Act. I shall also propose that we provide $110 million for this act in fiscal year 1974—almost one-fifth of the entire amount that has been spent under the present law in the last two decades.

This Responsive Governments Act would assist State and local governments in meeting several important goals:

Developing reliable information on their problems and opportunities;

Developing and analyzing alternatives policies and programs;

Managing the programs;

And evaluating the results, so that appropriate adjustments can be made.

The ability to plan and manage is vital to effective government. It will be even more important to State and local governments as they are freed from the restraints of narrow categorical Federal programs and must decide how to spend revenue sharing funds. Thus the Responsive Governments Act is a vitally necesssary companion piece to the Better Communities Act.

HOUSING

This Administration is firmly committed to the goal first set forth for America in the 1949 Housing Act: "a decent home and a suitable living environment for every American family." While we believe that some of our housing programs have failed and should be replaced, we should never waiver in our commitment.

During the past four years, the Federal Government has provided housing assistance to an additional 1.5 million American families of low and moderate income. This represents more housing assistance than the total provided by the Federal Government during the entire 34-year history of our national housing program preceding this Administration.

In addition, a healthy, vigorous, private housing industry has provided 6 million new unsubsidized units of housing for Americans in the last four years. Housing starts for each of the last three years have reached record high levels—levels, in fact, that are more than double the average for the preceding 21 years.

Most importantly, the percentage of Americans living in substandard housing has dropped dramatically from 46 percent in 1940 to 37 percent in 1950 to 18 percent in 1960 to 8 percent in 1970. Americans today are bettter housed than ever before in our history.

At the same time, however, there has been mounting evidence of basic defects in some of our housing programs. It is now clear that all too frequently the needy have not been the primary beneficiaries of these programs; that the programs have been riddled with inequities; and that the cost for each unit of subsidized housing produced under these programs has been too high. In short, we shall be making far more progress than we have been and we should now move to place our housing policies on a much firmer foundation.

That is why we suspended new activity under Federal subsidized housing programs effective January 5th of this year. I would emphasize, however, that commitments that were made under these programs prior to their suspension will be honored. This will mean that approximately 300,000 units of new subsidized housing will be started in 1973.

In pursuing our goal of decent homes for all Americans, we know that better means are needed—that the old and wasteful programs, programs which have already obligated the taxpayer to payments of *between $63 billion and $95 billion* during the next 40 years, are not the answer.

One of my highest domestic priorities this year will be the development of new policies that will provide aid to genuinely needy families and eliminate waste.

A major housing study is now underway within the Government, under the direction of my Counselor for Community Development. Within the next six months, I intend to submit to the Congress my policy recommendations in this field, based upon the results of that study.

TRANSPORTATION

To thrive, a community must provide for the efficient movement of its people and its products. Yet in recent years, the growing separation of the city from its suburbs and changing employment patterns have made transportation more of a community problem than a community asset. To improve community development we must meet the challenge of transportation planning and provide more flexible means for communities to meet their transportation needs.

Without better transportation, our communities will either stagnate or choke.

Four years ago we initiated programs to renew and redirect our transportation systems. We took action to expand the capacity of our airways, to preserve and improve intercity rail passenger service, to continue the Nation's highway program with greater emphasis on safety, and to bring needed progress to our surface public transportation. The Federal commitment has been substantial:

> The enlarged Airport Development Aid Program established under the Airport-Airways Development Act of 1970 has quadrupled Federal assistance to airports to $295 million per year.
>
> Under the Rail Passenger Service Act of 1970 we have begun to rejuvenate rail service as part of a balanced transportation system.
>
> From 1970 through 1974 we will have invested some $23 billion in highways. In 1972 alone we committed $3.3 billion to the Interstate system, which is now 80 percent complete. In that same year, $870 million was designated for primary and secondary roads. Equally important, we have emphasized safety on our highways, both in their design and use.

We have progressively increased the levels of Federal funding for transportation research, development, and demonstration projects. This support focuses on new transportation technology. It is designed to encourage private industry to join aggressively in the search for better transportation.

Concurrent with our programs to improve transportation between our cities, we have undertaken programs to develop freeflowing corridors for people and commerce *within* our cities.

Since 1970, when I proposed and the Congress passed the Urban Mass Transportation Assistance Act, we have committed more than 2 billion Federal dollars to preserve and upgrade public transportation. Nationally, urban public transportation has become a billion-dollar-a-year Federal program.

Over the past four years, Federal dollars have helped 60 American cities to help those who depend on public systems for transportation to jobs, hospitals, shops and recreational centers. Now we must deal even more aggressively with community development challenges in transportation by building on the strong foundations we have laid.

Nothing can do more to lift the face of our cities, and the spirit of our city dwellers, than truly adequate systems of modern transportation. With the best highway system in the world, and with 75 percent of our people owning and operating automobiles, we have more transportation assets per capita than any other people on earth. Yet the commuter who uses a two-ton vehicle to transport only himself to and from work each day is not making the most efficient use of our transportation system and is himself contributing to our transportation and environmental problems.

Good public transportation is essential not only to assure adequate transportation for all citizens, but to forward the common goal of less congested, cleaner and safer communities. As I pointed out a few weeks ago in my message on the environment and natural resources, effective mass transit systems that relieve urban congestion will also reduce pollution and the waste of our limited energy resources.

As we build such systems, we must be aware of the two special challenges in coordinating the needs of the inner city and the suburb and in alleviating potential disruptions which new transportation systems can bring to neighborhood life.

To further these efforts I again continue to urge Congress to permit a portion of the Highway Trust Fund to be used in a more flexible fashion, thus allowing mass transit capital investments where communities so desire.

I recommend that the Congress authorize the expenditure by State and local governments of $3.65 billion over the next three years from the Highway Trust Fund for urban transportation needs, including capital improvements for bus and rapid rail systems. I also recommend continuing the rural highway program at the $1 billion a year level, and providing ample resources to advance the Interstate system as it approaches its 1980 funding completion date. This legislation can meet old needs while at the same time addressing new ones.

Some communities now feel unduly obligated to spend Federal monies on controversial Interstate highway segments in urban areas. I urge the Congress to allow States and localities to transfer such funds to the construction of other Federal-aid highways and mass transit capital improvements. In this way, we can help resolve controversies which have slowed work on a number of Interstate links in urban areas.

It is very important to recognize that this proposal does not represent an arbitrary Federal shift of funds from highways to transit. What it does stress is the right of local governments to choose the best solutions for their urban transportation problems.

This year, in a companion measure to our Federal Highway Bill, I am also proposing that funding for mass transit capital grants be increased by $3 billion, bringing the obligational authority for the mass transit program to $6.1 billion. This provision would maintain a forward-looking mass transit program through at least 1977. I am also asking the Congress to amend the Urban Mass Transportation Assistance Act, increasing the Federal share for urban mass transit capital grant assistance programs to 70 percent and thereby achieving parity with Federal aid for urban and rural road building projects.

RURAL DEVELOPMENT

Community Development is sometimes thought of primarily in terms of urban areas. However, as this Administration has often pointed out—and will continue to emphasize—no element of our national well-being is more important than the health and vitality of our rural communities. Thus, in pursuing a policy of balanced development for our community life, we must always keep the needs of rural America clearly in sight.

Twice in the last two years, I have recommended legislation which would provide new revenues for rural development. Under my latest proposal, loans and guarantees would have been made for projects selected and prepared by the States.

While the 92nd Congress did not enact either of these proposals, it did enact the Rural Development Act of 1972, establishing additional lending authority for rural needs. Like the Administration's proposals, this lending authority provides for insured loans and guaranteed loans which allow maximum participation of the private sector.

Several new programs are proposed to be funded under the Rural Development Act. One is a $200 million loan program to assist communities with a population of less than 50,000 in developing commercial and industrial facilities. A previously existing loan program has been increased by $100 million—to a total of $445 million—and, under the new law, can now be used to construct a wide variety of essential community facilities. In addition, grants and other programs under the act will be funded at a level of $33 million.

This Administration will implement the Rural Development Act in a manner consistent with the revenue sharing concept, allowing major project selections and priority decisions to be made by the State and local governments whenever possible. It is our intent, after fully evaluating the effectiveness of this approach, to seek whatever additional legislation may be needed.

DISASTER ASSISTANCE

To a community suffering the ravages of a natural disaster, nothing is more important than prompt and effective relief assistance. As our population grows and spreads, each storm, earthquake, drought or freeze affects larger numbers of people.

During the past four years, we have tried to reduce personal injury, deaths, and property damage by emphasizing adequate preventive measures. During the same period, however, I have had to declare 111 major disasters in 39 States and three Territories. This past year alone set a tragic record for major disaster activity, as I had to declare 48 major disasters—43 caused by storms and floodings. There were a number of especially devastating disaster emergencies in this period: the flooding in Buffalo Creek, West Virginia; flash flood in Rapid City, South Dakota; and, of course, Tropical Storm Agnes which rampaged through the eastern United States. Agnes alone caused 118 deaths and some $3 billion in property damage.

Until now, disaster relief efforts have involved a number of different agencies and have been coordinated by the Executive Office of the President. The experience of the past few years has demonstrated that:

> We are not doing nearly enough to prepare in advance for disasters.
>
> States, local governments and private individuals should assume a larger role in preparing for disasters, and in relieving the damage after they have occurred.
>
> Responsibility for relief is presently too fragmented among too many authorities.
>
> At the Federal level, disaster relief should be managed by a single agency.

I intend to make 1973 a turning point in the quality of governmental response to natural disasters.

To achieve this goal, I have already proposed Reorganization Plan Number 1 of 1973, which is now before the Congress. It calls for the delegation of all responsibility for coordinating disaster relief to the Secretary of Housing and Urban Development, who is also my Counsellor for Community Development. This transfer of operations would take place at the beginning of the new fiscal year and would be carried out in such a way that the effective relations which now exist with State disaster officcials would in no way be harmed, while a new sense of unity and mobility at the Federal level would be fostered.

If the Congress enacts my proposal for a new Department of Community Development, that new department would be responsible for directing all Federal disaster activities, including those of several other agencies which perform disaster roles.

In addition to the improvements I have proposed in Reorganization Plan Number 1, I will shortly submit a new Disaster Assistance Act to the Congress. This new act is designed to improve the delivery of Federal assistance, to provide a more equitable basis for financing individual property losses, and to forge a more balanced partnership for meeting disasters head-on—a partnership not only among governments at all levels but also between governments and private citizens.

Under these proposals, each level of government would accept responsibility for those things it can do best. While the Federal Government would continue to assist with financing, State and local governments would have far more latitude and responsibility in the use of those funds. They would also be encouraged to assert stronger leadership in efforts to minimize the damage of future disasters.

For homeowners, farmers and businessmen who have suffered disaster losses, the Federal Government would continue to provide direct assistance.

I will also recommend to the Congress an expansion of the national flood insurance program to allow participation by more communities in flood-prone areas and to increase the limits of coverage.

CONCLUSION

As reflected by the proposals set forth here, I believe that we must strike out on broad, new paths of community development in America.

During the last few years, we have taken genuine, measurable strides toward better communities.

All of this is good ; it is not good enough.

It is clear that we can and should be accomplishing more in the field of community development. There are too many programs that have been tried and found wanting. There are too many programs that strengthen the bureaucracy in Washington but sap the strength of our State and local governments.

People today want to have a real say in the way their communities are run. They want to feel that, once again, they can play a significant role in shaping the kind of world their children will inherit. And they expect their institutions to respond to their needs and aspirations.

That feeling will never flourish if the Federal Government, however vast its financial resources and however good its intentions, tries to direct the pattern of our lives. That feeling cannot be manufactured in Washington, it must come from within.

But the Federal Government can and should eliminate some of the barriers that have impeded the development of that feeling by returning resources and initiatives to the people and their locally elected leaders. It is in that spirit that I urge the 93rd Congress to give favorable consideration to my proposals for community development.

Richard Nixon.

Statement by the AFL–CIO Executive Council on the Dismantling of Social Programs

(February 20, 1973)

The federal government's commitment to help solve the nation's major domestic problems is seriously endangered.

Essential programs to strengthen American society and improve the quality of life are in jeopardy—through a combination of Presidential vetoes, the impoundment of appropriated funds, program reductions and terminations and revenue sharing.

America faces vast unmet public needs—from sewer, water and waste treatment systems to jobs, housing, urban mass transit, education, health-care, public safety, roads and recreation facilities.

Fulfillment of these needs requires the cooperation of all citizens and institutions. However, the nation's major domestic problems are still rooted in the

shortages of services and facilities that are traditionally and appropriately the responsibility of government. Though much that is needed can and should be administered and financed at the state and local government level, it is the federal government—which represents all of the American people—that holds the key.

The most pressing domestic issues—such as unemployment, housing, crime, pollution, and health-care—are nationwide in scope and impact. They do not adhere to the lines drawn to bound America's 50 states and 80,000 local government units. They require national leadership, federal programs and federal financial support.

A federal effort to create jobs and the public investments needed to modernize and strengthen the underpinnings of American society began in the 1930s, only to be brought to a virtual standstill by the shortages of money, manpower and materials during World War II. Following the end of the war and through the 1950s, only slow progress was made, at a time when the population was growing rapidly and vast numbers of people were migrating from rural to urban areas and from cities to the suburbs.

In the 1960s, the long-delayed federal response came through enactment of numerous programs, which in the main provide funds for state and local governments to use in meeting specific national priority needs, under federal performance standards. These programs created needed jobs and began to reduce the shortages in many public facilities and services.

Federal grants-in-aid for such programs as elementary and secondary school education, urban renewal, health-care and housing underwent a more than fourfold increase in the past decade—rising from $10.1 billion in 1964 to an estimated $45 billion in fiscal year 1973, an average annual increase of 18%.

This long overdue and badly needed expansion in national programs and federal funds aroused unrealistic expectations of quick and easy solutions to problems that had been amassing for decades. In the late 1960s and early 1970s, high interest rates, inflation, recession and lack of full-funding hampered the ability of state and local governments to finance their share of public investment—further increasing the gap between expectations and what could realistically be achieved.

In the past few years, Presidential vetoes have attempted to prevent enactment of new and essential programs. Many of those that are already on the books have been shortchanged.

In addition, the Administration has impounded some $12 billion that Congress has already appropriated for such vital programs as housing for low- and middle-income families, community facilities, water and sewer projects, highway construction and the Appalachian Regional Commission.

Now, according to the policy set forth in the federal budget for fiscal year 1974 the growth in federal aid to the states and localities for such vital programs will come to a halt.

For the year ending June 30, 1973, the Administration proposes to reduce or terminate programs in the amount of $6.5 billion—for fiscal year 1974, the total will be $17 billion. The budget plan is for program terminations and reductions, which over the next five years, will result in a cumulative total of over $100 billion.

If these proposals are adopted, many vital job-creating, public investment programs will be totally dismantled and others will be hamstrung. Many would simply disappear through general and so-called "special" revenue sharing consolidations which obscure the national purpose, limit the power of Congress to monitor or control the programs and render unenforceable federal performance standards, civil rights guarantees and labor standards.

Among the numerous proposals to under-fund, cut back or terminate federal programs are the following:

COMMUNITY DEVELOPMENT AND HOUSING

The proposed budget slashes in this vital area are the deepest. In effect, they would represent an end to a direct federal government role in revitalizing the nation's cities and increasing the availability of housing for low- and moderate-income Americans.

Seven programs geared to providing direct aid to the cities to improve the quality of urban living are to be completely eliminated. Major casualties in this

list include urban renewal and the model cities program. In addition, programs to provide low-income families an opportunity to attain decent rental housing or to own their own homes will be terminated.

These cuts will also result in substantial job losses—in on-site construction, as well as in the production and distribution of steel, lumber, glass, cement and other building materials.

EDUCATION

Behind the new program of special revenue sharing, the Administration is proposing the severe under-funding or elimination of programs which serve to improve the quality of education in America and to eliminate the great differences that exist in educational opportunity.

The prime target is the elimination of some 30 federal programs that provide aid to school districts for elementary and secondary education. Federal aid to school districts unduly burdened by federal government installations will also be abandoned.

MANPOWER

The Public Service Employment Program (PEP), established by the landmark Emergency Employment Act of 1971, would be scrapped. This program represents, in effect, the only significant direct job-creation effort by the federal government. In its short two-year life span, about 150,000 jobs were created in 17,500 state and local government agencies.

The Administration, according to the budget, would decentralize the Job Corps program and severely cut back its funds. These funds are used to provide education, training and counselling for out-of-school youths who cannot find jobs.

Under the new concept of revenue sharing, the entire federal manpower training effort will be seriously endangered. At stake are several programs which help workers upgrade their skills and focus on the specific job-needs of minority-group youths and the elderly.

The federal government's role in planning and operating on-the-job and classroom training programs, funded under the Manpower Development and Training Act, would, in effect, be ended by the "special revenue sharing proposal." The Neighborhood Youth Corps, which helps open opportunities for part-time jobs so that low-income youths can complete their education, would no longer be a federal responsibility.

The only increase in the manpower budget, of any consequence, is for the Work Incentive Program (WIN), which attempts direct job placement of welfare recipients. Since protective standards in this program are weak, welfare recipients can be placed in marginal, substandard jobs.

The Administration would also abolish the Economic Development Administration—the national economic development program, which has created jobs and public improvements in many areas that suffer from persistently high unemployment and lagging economic growth. The development program for the economically blighted Appalachian region would be severely cut back.

The Office of Economic Opportunity would also be abolished. The OEO and its Community Action agencies created jobs and provided a mechanism for many of the nation's poor to enter the economic mainstream.

HEALTH

The Budget for fiscal year 1974 would eliminate 10 of the nation's 60 health programs. The Hill-Burton hospital and health facilities construction program will be terminated, on the false premise that the nation has more hospital beds than are needed.

Ignored is the fact that a surplus of beds in one community cannot help those in need of hospital care in another community. Moreover, in recent years Hill-Burton funds have been used primarily to meet the needs for modernizing obsolete hospitals and for building out-patient public health centers and nursing homes. Since 1947, when the program started, 470,000 hospital beds have been provided. In the past five years, 91 percent of the funds have been used for modernization, only 9 percent for new facilities. The need for some new facilities is clear; the need for modernization is overwhelming.

The regional medical program, which coordinates efforts to treat diseases such as heart and cancer, would be eliminated and maternal and child health and family planning programs would be phased out.

ENVIRONMENT

Some of the widest gaps between Congressional intent and what the Administration plans to spend are to be found in programs enacted by the Congress to protect America's environment.

For example, approximately $10.1 billion to be allotted to the states for the construction of waste treatment plants have been made available by the Congress for expenditure in the fiscal years 1973 and 1974; yet, the Administration plans to spend only half of that amount.

* * * * * * *

Rapid growth, during the 1960's, in the number of federal programs to help meet the nation's public investment needs inevitably created some administrative inefficiencies and overlapping grants. However, this situation does not justify a dismatling of essential programs or an abdication of the federal government's key role in the development, financing and guiding of public investments that are essential to the nation's well-being.

Administrative simplification of the large number of federal grants requires the consolidation of many overlapping grants, without undermining their purpose, goals and standards. Proposals to dismantle the system of federal grants-in-aid to the states and local governments for specific high-priority programs should be rejected—as should proposals to supplant the expansion of such programs with under-funded revenue-sharing measures that lack specified program purposes and federal standards.

The American labor movement has a long history of advocacy and support for measures to increase the quantity and quality of the nation's public facilities and services. We reaffirm that historic support and call upon the Congress to assure continuation and expansion of essential national programs to build American.

Statement by the AFL–CIO Executive Council on Education

(February 20, 1973)

The AFL–CIO is dismayed by the education proposals contained in the Administration's 1974 budget. The Administration would completely dismantle both the Elementary and Secondary Education Act and the Vocational Education Act. In their place, the Administration would substitute a still vaguely formulated $2.5 billion "special educational revenue sharing program."

Federal support for education has never approached the levels truly necessary, but those federal programs that now exist were too hard won to be thrown aside simply because the Administration has decided that they won't work.

Laws such as the Elementary and Secondary Education Act, the Vocational Education Act, the Higher Education Act and the Library Services and Construction Act constitute some of the most important legislative achievements of the 1960's and they deserve a permanent place among the nation's laws. In most cases, these programs of categorical aid were enacted by Congress to meet critical needs which had been largely ignored by state and local officials. By proposing to lump the categorical aid programs into a single blank check, the Administration would invite state and local officials to return to past practices of allocating funds on the basis of political power rather than demonstrable need.

Title I of the Elementary and Secondary Education Act provides desperately needed compensatory funds for economically disadvantaged children. The Administration would abandon that effort.

Title III provides funds needed to develop innovative teaching materials and methods of learning. The Administration would drop this valuable program. The Vocational Education Act provides a workable mechanism for providing young people with the skills realistically needed in modern society. The Administration proposes to repeal the Act outright.

Undoubtedly many of these programs can and should be improved, but improvement is quite different from dismantlement. The problem, in many instances, has been that money was misspent by local officials who used it contrary to the intent of Congress. By loosening the controls, the Administration would aggravate the problem rather than contribute to its solution.

The AFL–CIO gave vigorous support to these laws when they were being considered by the Congress. Today we reaffirm that support in the face of efforts to abandon them.

Organized labor has consistently pressed for more federal funding for the schools, but we reject completely any Administration proposal for special educational revenue sharing. Such proposals would provide no additional funds for the schools, but would only divert funds from existing programs which Congress carefully designed to meet demonstrated needs. And, in the process, the Administration would repeal many of the most progressive laws enacted in the Twentieth Century.

The AFL–CIO therefore supports the five-year extension of the Elementary and Secondary Education Act and full funding at Congressionally authorized levels of that Act and of other federal educational programs. We will not abandon the educational programs we fought so long to achieve.

The Administration continues to convert school busing into an emotional issue. On February 15, 1972, this Executive Council adopted a policy which we reaffirm today, stating:

> The AFL–CIO has consistently supported both quality education and integrated education. We have just as staunchly supported mass investment of federal funds to improve substandard schools. We have fought for legislation to achieve open housing as the most effective way to achieve integrated education.
>
> 1. We wholeheartedly support busing of children when it will improve the educational opportunities of the children.
>
> 2. We deplore the actions of those individuals or groups who are creating a divisive political issue out of America's vital need for equality, integrated education.
>
> 3. We will oppose the Constitutional amendment approach because it will do a disservice to the quality, integrated education which we suport.

Statement of the AFL–CIO Executive Council on Slashes in Health Programs

(February 23, 1973)

The Administration's health budget would cripple a host of programs which are vital to meeting the health needs of the American people.

The President's 1972 health message stated:

"An all directions reform of our health care system—so that every citizen will be able to get quality health care at reasonable cost regardless of income and regardless of area of residence—remains an item of highest priority on my unfinished agenda for America in the 1970's."

How has the Administration implemented this "highest priority?" The President vetoed the hospital construction bill. He pocket vetoed the bill to provide more family doctors.

Only Congress stymied his efforts to close down the Public Health Service hospitals.

The President has impounded millions of dollars appropriated by Congress for health programs.

He has twice vetoed the appropriations bill for the Department of Health, Education, and Welfare.

In announcing next year's health budget, the Administration has topped last year's dismal record. Despite increased costs the budget for the fiscal year ending June 30, 1974, is $500 million less than for the previous year. It would cut or eliminate many current health programs.

The Administration would wipe out the Regional Medical program to coordinate efforts to treat heart, cancer, stroke, and other killer diseases.

It would also phase out the Hill-Burton hospital and health facilities construction program and assistance for development of community mental health centers.

The budget for Medicaid would eliminate Federal matching for dental care.

Proposed changes in Medicare would require the elderly to pay part of the cost of their hospital bills from the 2nd to the 61st day now provided without charge. The initial deductible under Part B of Medicare covering physician

services would be increased from $60 to $85 and co-payment by the patients above the deductible amount would be increased from 20 percent of the bill to 25 percent.

The proposed changes in Medicare will force the elderly and disabled to pay out of their own pockets for doctor and hospital bills more than an additional half-billion dollars in the first six months of 1974 and upwards of a billion dollars during the following 12 months. What is worse, many will be cut off from needed care because with their limited incomes they won't be able to make the payments at all.

The Administration defends the elimination of the Hill-Burton hospital and health facilities construction program on the grounds that more hospital beds are not needed. This may be true for many but by no means all areas. A surplus of beds in one community won't provide hospital facilities in a city a thousand miles away where there are still not enough beds to meet the community's needs.

Moreover, Hill-Burton grants have been used in recent years mainly to modernize obsolete hospitals rather than to construct new ones. There is a tremendous backlog of need for modernization grants. Hill-Burton also provides grants for out-patient facilities, public health centers and nursing homes for which there are substantial shortages.

The budget provides no funds for new community mental health centers and support for existing centers would be phased out. This would eventually wipe out a valuable new program which for the first time has made it possible for low and middle income families to obtain quality mental health care.

Funding to increase the supply of health manpower would be substantially reduced. Student aid for other than physicians and dentists would be restricted to loans and health research scholarships and fellowships abolished. Funds for schools of public health and for training of the allied health professions would be significantly cut.

The AFL–CIO urges Congress to reject the sharp cuts for health programs in the Administration's budget and substantially increase funding of needed health services. We will also vigorously oppose any attempt to load additional costs on the elderly and disabled why depend on Medicare.

Statement by the AFL–CIO Executive Council on Housing

(February 23, 1973)

The AFL–CIO has long supported and worked toward the goal of a "decent home for every American family." The Federal government embraced this goal in 1949 when Congress enacted the Taft-Wagner-Ellender Act. Congress reinforced this commitment in the Housing Act of 1968 when it set forth specific goals and schedules: 26 million units, including 6 million units for low- and moderate-income families, to be built within the decade from 1969 to 1978. The AFL–CIO has always supported Federal efforts to provide adequate housing for America's families and the AFL–CIO declared its support for the new ten-year program.

In the past four years, this Administration has repeated the promise that the cities of America would be rebuilt and that all families would be given the opportunity to live in standard housing. This was a welcome promise in light of the continuing deterioration that was occurring in America's cities and the ever-growing number of households which found themselves unable to afford decent housing without some help from the Federal government. But on January 8th of this year, the departing Secretary of the Department of Housing and Urban Development announced a massive moratorium on subsidized housing and community development programs.

Effective January 5th, three days prior to the public announcement, all new commitments were stopped for public housing, rent supplements, multi-family rental housing, homeownership housing, water and sewer facilities, open space activities and public facility loans.

Housing was dealt a double blow—not only were direct housing assistance funds impounded, but the funds needed to provide facilities and services supportive of non-subsidized, as well as subsidized, residential development were cut off. In July, the model cities and urban renewal programs, representing the

biggest commitment to inner-city revitalization ever made by the Federal government, are scheduled to meet a similar fate.

The national commitment to a "decent home for every American family" has been totally abandoned by Administrative fiat. This decision is not being made because the problems of the cities have been solved. It is not being made because the housing goals have been met. Housing experts, both outside of and within the Administration, have confirmed the housing need as set forth in the ten-year program undertaken by Congress. Now the nation has been told that it is to abandon that program. In specific terms, only 250,000 housing starts will involve subsidized housing in 1974, rather than the 550,000 units required if the nation is to fulfill the overall goal. The cutback on unsubsidized housing as a result of community development cancellation is yet to be seen.

Administration spokesmen now claim that the moratorium was imposed on the housing programs because they were not serving enough people. Over 2 million people in subsidized housing is a significant figure and now the moratorium will cut these programs back at a time when the number of households in need of assistance is sky-rocketing. In New York City, for example, it is reported that approximately 70 percent of all households cannot afford unsubsidized housing. Yet, no alternative housing program is proposed by the Administration that could function any more effectively or at less cost. This abdication of Federal responsibility for housing all Americans is insensitive and indefensible.

The implications for non-profit sponsors of housing are great. By 1970, these sponsors have produced over 40 percent of all subsidized units. The moratorium means that their role is largely at an end. Churches, labor unions, civic and minority groups have invested large sums in projects that will now be cancelled. The long waiting lists of would-be tenants for these projects can be torn up. This result of the moratorium can only embitter those who were promised housing and discourage forever many of those non-profit sponsors who have tried to fulfill those promises. Once housing is left almost exclusively in the control of the private market, housing costs are certain to rise.

The full impact in terms of housing and jobs will be felt months from now when the HUD "pipeline" is empty and the existing machinery for providing subsidized housing has ground to a halt. The massive loss of much needed housing will not only bring suffering and denial to millions of needy families but will have a profound "ripple out" impact on our economy. When the "pipeline" runs out, direct employment loss, excluding those jobs that will be lost as a result of the multiplier effect, is estimated at approximately a million man-years. But this loss of construction-related jobs is only the beginning. The impact of the moratorium on furniture producers, appliance manufacturers, maintenance personnel and the countless other industries responsible for transforming a structure into a home is immeasurable. While projections further into the future are impossible, the long range consequences for every sector of society can only be devastating. The impact on lost payrolls, lost purchasing power and lost tax potential makes the moratorium a very dubious economic move.

We are aware—as is Congress—that the failures that have been disclosed in the subsidy programs result primarily from poor management, corruption and dishonesty. These deficiencies can be remedied and should certainly not be used as an excuse to destroy badly needed housing programs. Nor can this tragedy for millions of Americans be accepted as part of a grand plan to control inflation without a significant examination of other budget items and of the tax structure that lowers revenues by protecting the wealthy.

The existing housing subsidy programs have made a significant contribution toward meeting housing goals. But the unmet need is still of the greatest importance. The Administration offers no alternative that could better meet this need. Until new and adequate programs are enacted, the existing programs must be continued.

The AFL–CIO stands ready to work with the Administration in evaluating alternative approaches to the nation's housing problems and to cooperate fully in the development of programs which assure that the opportunity to enjoy standard housing is open to all families.

We urge the Administration to rescind the moratorium on housing and community development programs immediately and to recommit the resources needed to meet the housing needs of all Americans as expressed in the national housing goals.

Resolution by the Executive Board, Chicago Federation of Labor and Industrial Union Council

Whereas the AFL-CIO Executive Council has charged the Administration with dismantling the nation's social programs through a combination of Presidential vetoes, the impoundment of appropriated funds, program reductions and terminations.

The impact of the arbitrary budget cutbacks is most visible at the local level, especially in the great cities like Chicago, where we are made aware daily of unsolved problems of people.

There are many unmet needs which require the cooperation of all citizens, institutions and agencies of government, which take their cue from the attitude of the national administration.

The retreat from the reality of the peoples' needs can become a massive march backward as state, county and local facilities are starved of the necessary funds provided through federal programs.

The trade union movement of Chicago is acutely aware of the vast problems facing the people: urban mass transit, housing, education, health care, day-care, parks, playgrounds, public safety and other public services.

The most pressing problems, such as unemployment, housing, crime, pollution and health care are nationwide in impact and scope.

No one can draw boundaries around a neighborhood, community or city and declare that the problems of decay and disease have been contained, for surely the ailment which faces urban society will spread to the suburbs and beyond.

We are especially concerned with the scrapping of programs designed to help workers upgrade their skills and focus on the job needs of minority group youth and others seeking to become productive workers.

Dedicated and knowledgeable personnel skilled in recruiting, training and counseling out-of-school youths and other unemployed, at a time when the Administration sets as a goal shifting of people from welfare to jobs, are dismissed in the name of economy.

We note that the budget cutbacks would evoke hardship on day-care centers, hospitals and health centers, and recreational facilities for people of all ages.

The Administration's impoundment of funds appropriated by the Congress has held back vital programs such as housing for low- and middle-income families, community facilities, water and sewer projects and highway construction.

This refusal to use funds appropriated by Congress and the proposed budget slashes will not only weaken the cities' ability to improve the quality of urban living, but will result in substantial job losses on on-site construction, as well as in the production and distribution of materials.

If the Administration budget-cutting proposals are adopted, many vital job-creating, public investment programs will be totally dismantled and others will be hamstrung. Many Administration cutbacks would limit the power of Congress to monitor or control the programs and render unenforceable performance standards, civil rights guarantees and labor standards.

We reaffirm the declaration of the AFL-CIO Executive Council that "the American labor movement has a long history of advocacy and support for measures to increase the quantity and quality of the nation's public facilities and services": Therefore be it *Resolved by the Executive Board of the Chicago Federation of Labor and Industrial Union Council*, That we support the efforts of the AFL-CIO in calling upon the Congress to assure continuation and expansion of essential national programs to build America, and be it further

Resolved, That we call upon the United States Senators, the Congressmen, Governor Daniel Walker of Illinois, Mayor Richard J. Daley of the City of Chicago, President George W. Dunne of the Cook County Board of Commissioners and all others with the power of deciding the future fabric of society, to oppose the arbitrary cutbacks of vital government activities in the fields of mass transportation, community development and housing, training, health care, education, recreation, protection of the environment and other programs to improve the quality of life for our members, their families, and all others who look to labor for leadership, and be it

Resolved, That the officers be empowered to take any action they deem appropriate to secure the full restoration of the social programs created with

the help of organized labor, and to release the funds impounded by the Administration, and be it finally

Resolved, That copies of this resolution be sent to the United States Senators and Representatives from Illinois, the AFL–CIO, the Illinois State AFL–CIO, Governor Daniel Walker, Mayor Richard J. Daley and President George W. Dunne.

Executive Board, Chicago Federation of Labor and Industrial Union Council: William A. Lee, President; Morris Bialis, Second Vice President; Thomas E. Faul, Secretary-Treasurer; Albert Towers, Assistant to the President; Henry L. Coco; August V. Dufour; Murray Finley; James J. Hill; James H. Kemp; Robert J. Kennedy; Helga Nisbet; James A. Pate; Maurice Perlin; George Vest, Jr.

[News Release, Feb. 13, 1973]

Muskie Announces Hearings on Impact of Nixon Budget

Senator Edmund S. Muskie (D-Me.) announced today that his Subcommittee on Intergovernmental Relations will begin hearings next week on the impact of the President's New Federalism proposals on the cities and States.

"There hearings will focus on the real impact that the President's proposed budget—and the wholesale cutbacks in domestic social programs it proposes—will have on State and local governments," Muskie said.

"We will ask in these hearings whether the President's budget proposals really mean a tax saving as he would like us to believe or whether they mean, as I believe they do, a tax shifting which will place even heavier burdens on the already overburdened State and local taxes like the property tax and the sales tax," he continued.

"I am concerned that the President's domestic proposals will cause State and local taxes to skyrocket when State and local governments are forced to pay the bills for ongoing programs that the Federal Government has heretofore supported," Muskie said.

"I am concerned that the President's proposals to eliminate programs like the Public Employment Program, the Community Action Program and the Model Cities Program will force hundreds of thousands of persons out of work.

"And I am convinced that the President's special revenue sharing will not provide adequate funds for State and local governments to continue their present level of social services."

Muskie said that his hearings will begin on February 21 when the Subcommittee hears testimony from the Legislative Action Committee of the U.S. Conference of Mayors.

The Legislative Action Committee is chaired by Mayor Moon Landrieu of New Orleans and is comprised of the Mayors of many of the Nation's largest cities including John Lindsay of New York, Richard Daley of Chicago, Roman Gribbs of Phoenix, Kenneth Gibson of Newark, Richard Hatcher of Gary, Henry Maier of Milwaukee, Sam Massell of Atlanta, Wesley Uhlman of Seattle, Walter Washington of the District of Columbia and Kevin White of Boston.

"I have invited the Legislative Action Committee to lead off our hearings in order to give the Mayors an opportunity to express their views about the impact the proposed cutbacks in the President's budget will have in their cities," Muskie said.

"I want to see if the Mayors feel as I do that the President's program will force them to accept one of two intolerable alternatives—either raising property taxes on their citizens to pay for the continuation of ongoing programs or cutting back essential services."

Muskie said the hearings will resume February 23 and continue into the following week. He said witnesses at future hearings will include representatives of the Nation's Governors, county officials, Administration officials, and other experts on the federal system.

[News Release, Feb. 21, 1973]

MUSKIE URGES GRANT REFORM, ATTACKS "MUTILATION" OF FEDERAL SYSTEM

Senator Edmund S. Muskie (D–Me.) called today for reform in the delivery of Federal assistance to State and local governments and opposed Administration plans for dismantling Federal programs as "a betrayal of the promise of general revenue sharing."

Opening the first day of Washington hearings before his Subcommittee on Intergovernmental Relations, the Maine Senator discussed a survey of city officials who had been asked about their problems with categorical aid programs and their plans to use general revenue sharing funds.

"The responses we have received from concerned city officials," he said, "spell out a cry for reform, not a mandate for mutilation."

Muskie stressed the importance of the "Federal setting" as the place where a pluralistic society defines national needs and matches national resources to those needs. With "appropriate reforms" in grant-in-aid programs, he said, "cooperative Federalism can make government again an instrument for the general welfare, a weapon to restore our sense of shared purpose and of great national enterprise."

In contrast, he warned that the "New Federalism" advocated by the Administration would represent "an abdication of national commitment" and a false economy. Assigning primary responsibility for crucial social programs to State and local authorities, Muskie said, "means that these enduring obligations will have to be met in the future by local financial structures that are already ill-equipped to handle existing burdens . . . or not met at all.

"Taxes will not be saved. They will be shifted," he added. "Self-reliance will mean that State governments or local governments or those least able to bear the costs will have to pay the bills.

"The Hobson's choice offered to all Americans is between higher property and sales taxes or the starvation and eventual death of worthwhile social initiatives," he said.

Comparing the backers of the "New Federalism" to a doctor who treats an infected thumb by amputating the whole arm, Muskie said the cure recommended for bureaucratic delay, duplication and waste was "worse than the disease." "What the cities and States do need," he concluded, "is a reform in the bureaucracy which now obstructs the efficient delivery of Federal assistance."

One avenue of reform already proposed by the Senator is the Intergovernmental Cooperation Act of 1973 he and Senator Edward Gurney (R-Fla.) introduced February 8. Similar to legislation that passed the Senate in 1972, the bill would permit consolidation of Federal grant-in-aid programs within broader functional areas and would allow States and local governments to make combined applications for joint projects funded now by two or more Federal programs.

[News Release, Feb. 21, 1973]

MUSKIE STUDY SHOWS MAYORS OPPOSE FEDERAL ASSISTANCE CUTBACKS

Most big city mayors oppose cutbacks in Federal categorical assistance, according to a report released Tuesday (February 20) by Senator Edmund S. Muskie, D-Maine, Chairman of the Senate Subcommittee on Intergovernmental Relations.

Muskie said that the Subcommittee had received nearly 800 responses to a questionnaire on the Federal grant-in-aid system he sent out last fall to mayors of cities with populations of more than 10,000.

The Subcommittee on Intergovernmental Relations begins hearings at 10 AM today (February 21) on the impact of the President's proposals for a New Federalism on state and local governments.

Witnesses at today's hearing will include Mayor Moon Landrieu of New Orleans, Chairman of the Legislative Action Committee of the U.S. Conference of Mayors, and Committee members Joseph Alioto, of San Francisco; Lee Alexander, of Syracuse; Stanley A. Cmich, of Canton, Ohio; Kenneth A. Gibson, of Newark; Roman S. Gribbs of Detroit; Richard G. Hatcher, of Gary; John V. Lindsay, of

New York City; Henry W. Maier, of Milwaukee; Norman Y. Mineta, of San Jose; Patricia Sheehan, of New Brunswick, New Jersey; and Wesley C. Uhlman, of Seattle.

"Most city officials would prefer the flexibility promised by block grants or special revenue sharing," the Muskie report said. "They are, almost to a man, enthusiastic about the concept of general revenue sharing to supplement and not substitute for traditional forms of Federal assistance.

But "they are adamant that block grants or special revenue sharing must not be used as an excuse to lower the dollar amounts of Federal money going to the cities. In fact, the majority of big city mayors (mayors of cities of 100,000 population) oppose any cutbacks in categorical aid," the report said.

The Muskie report pointed out that general revenue sharing funds can only be used in priority areas of public safety, environmental protection, public transportation, health, libraries, social services for the poor or aged, and financial administration.

"As a generalization, it can be safely said that the vast majority of cities—both large and small—intended to spend the first round of revenue sharing in the following areas: capital improvements, including streets and roads; public safety; and salary adjustments, including hiring new personnel.

"Somewhat less frequently mentioned were various forms of tax relief and environmental improvements," the report continued.

"Only a small minority of the cities which provided detailed replies indicated that revenue sharing money would be channeled into social services for the poor or aged or other forms of local expenditure."

Other conclusions of the Muskie study:

1. The overwhelming majority of city officials confirm that they frequently experience great frustration and long delays in applying for Federal assistance. They bolster the belief that the current system of administering Federal grants-in-aid is riddled with red tape through confused, complicated and sometimes conflicting Federal guidelines that tax both the patience and expertise of overburdened local officials.

2. There is no clear-cut pattern among mayors as to whether they feel they need more professional expertise to apply for Federal assistance. However, there appeared to be a trend of hiring special Federal aid coordinators in cities with populations of over 50,000.

Muskie said that the hearings will continue February 23, when the Subcommittee hears from Walter Heller, Chief of the Council of Economic Advisors under President Johnson; Robert Wood, formerly Secretary of Housing and Urban Development, and presently President of the University of Massachusetts; and Richard P. Nathan, formerly Assistant Director of the Office of Management and Budget and Deputy Undersecretary of Health, Education and Welfare under President Nixon, and currently a Senior Fellow at the Brookings Institution.

The hearings will begin at 10 AM in Room 3302 of the New Senate Office Building.

A copy of the report is attached.

PRELIMINARY RESULTS OF THE NOVEMBER 1972 SURVEY ON FEDERAL GRANT SYSTEM CONDUCTED BY THE SENATE SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

Last November the Subcommittee on Intergovernmental Relations sent 2359 questionnaires on the Federal grant system to cities and towns all over the country. More than 2200 of these questionnaires went to cities with populations ranging from 10,000 to 100,000. The remaining 153 surveys were sent to large cities with more than 100,000 people.

The major purpose of the questionnaire was the Subcommittee's desire to uncover the pressure points in our current system of administering categorical grants, as well as to discover the attitudes of the Nation's Mayors toward different kinds of Federal assistance, including categorical grants, block grants and revenue sharing. A sample questionnaire appears on the next page.

Partly because some of the largest cities have not yet responded to the questionnaire and partly because the answers are difficult to tabulate, the Subcommittee cannot at this time publish a final report on the results of the survey. However, in this preliminary report, we have attempted to summarize some general conclusions that can be drawn from the answers received from more than 700 small and medium sized cities and 71 large cities.

Too Much Red Tape

The overwhelming majority of the city officials who have responded confirm that they frequently experience great frustration and long delays in applying for Federal assistance. They bolster the belief that the current system of administering Federal grants-in-aid is riddled with red tape through confused, complicated and sometimes conflicting Federal guidelines that tax both the patience and the expertise of overburdened local officials.

The following comments illustrate the kinds of problems which excessive red tape and delays have created:

The city manager of Kerrville, Texas, described his frustrating problems in trying to obtain Federal aid for a new sewer system:

"It took us approximately a year to obtain approval of the grant by the Texas Water Quality Board. It is now in the hands of the Environmental Protection Agency. Every few days they write for more information, and there is every indication that this grant could be delayed as much as a year. We actually have raw sewage flowing in the streets at the present time, so if your committee can come up with some way of assistance in expediting these grants, it would be a godsend."

The Mayor of Passaic, New Jersey, put it this way:

"There is too much redtape in all Federal programs. The applications require too much data and information. In many cases if we actually had all the data required by the application, we wouldn't need the grant we are applying for. The redtape never discouraged us from applying for funding, however, we find we spend an inordinate amount of time filling out applications when we could be working on these specific programs."

And the manager of Plainville, Connecticut, cited two examples of Federal confusion that would be amusing if we were not talking about the capacity of our governments to govern:

"Two specific examples of almost farcical federal behavior were experienced by the Town with HUD programs. One involved the mythical Legacy of Parks program which apparently was a presidential publicity gimmick. The Town applied but there were no forms. By the time some forms were available, the program did not exist. The second involved the HUD sewer facilities grant program. The Town applied first in the middle sixties when the program was new. It was one of the first applications in the state. Political pressure . . . was exerted to move two towns ahead of (us), and the word was the appropriation was exhausted . . . The Town, however, went ahead at its own expense. A year later, out of the blue, a publicity release in the local newspaper announced a wonderful sewer grant . . . No advance notice was given to the Town. Of course, the Town was no longer available for the grant as it had proceeded to build the sewer system."

A sizeable proportion of the smaller communities (between 10,000 and 20,000) report (a) that they have never even applied for Federal aid, or (b) that the detailed information required in most Federal applications, together with the other red tape problems involved, have actually deterred them from seeking categorical aid. Even some of the larger cities say they have given up applying for small amounts of Federal assistance because the paperwork and staff time required outweigh the relatively small financial assistance involved.

Dallas, Texas, reports:

"In many cases, the information on funding availability is vague and the work that goes into preparation of an application is wasted because of a low level of funding."

The following comments came from Springfield, Missouri:

"The costs incurred by delay of funding and continuing a program through the numberous administrative levels of government are so great and cumbersome that it often costs more to get a program funded than the program is actually worth. Because of the red tape, departments are hesitant to initiate applications, particularly if they have returned from the 'well' dry the last time out."

Fountain Valley, California:

"We did not apply for a grant for bicycle trails since the amount which would be received could not be justified by the amount of work in applying."

Warren, Michigan, reports:

"As noted by several cities in the United States, the controls, administrative policies and procedures involved in the HUD programs were not only extremely costly, but actually curtailed the whole program! When the people from Chicago came to Warren at the start of the HUD program, the Chicago representatives were elated that they had reduced the administrative cost to $10,000 for processing a $10,000 loan! Gentlemen, such management of Public Funds is shameful and disgraceful!

Another source of frustration has been the experience of some communities which do overcome the problems involved in making an application (often with the active encouragement of Federal agencies) only to have the application turned down because there is no available Federal money.

The following comments illustrate this particular problem:

> "In order to obtain grants, extensive paper work is required. Sewer and water grant applications, for example, were prepared and filed after encouragement from Federal officials and then no funds were allocated."
>
> -- Worcester, Massachusetts

> "The City has experienced several instances . . . relative to availability of the Federal government to fund certain programs and projects once the massive 'red tape' requirements have been met and the appropriate applications approved. For example, the City expended considerable effort several years ago in applying for a HUD grant for a trunk line sewer extension, only to be advised that funds were not available."
>
> -- Chico, California

<u>Professional Expertise in Local Government</u>

No clear-cut pattern emerged from the question on the need for more professional expertise to apply for Federal assistance, although the answers appear to bear a direct relationship to population. Many Mayors of small cities complained that the paperwork involved in Federal grant applications severely tax the time, but not the professional expertise,of their small staffs. Some Mayors reported hiring special consulting firms to deal with the technical aspects of complex programs. And in cities with populations over 50,000 there seems to be a trend of special Federal aid coordinators.

The City Manager of Waxahachie, Texas, (population 14,500) summed up his problem in this way:

> Yes, the City has a problem in applying for Federal assistance because we do need more professional expertise. The City Manager is the only one who can apply for more assistance o r has the experience of doing so, and it is very difficult to get the time needed to do the work . . ."

Although larger cities obviously are more sophisticated in the art of grantsmanship, they too have experienced the same frustrating delays and red tape evident in the great majority of responses.

Block Grants vs. Categorical Grants

Most city officials would prefer the flexibility promised by block grants or special revenue sharing. They are, almost to a man, enthusiastic about the concept of general revenue sharing to supplement and not substitute for traditional forms of Federal assistance. They are adamant that block grants or special revenue sharing must not be used as an excuse to lower the dollar amounts of Federal money going to the cities. In fact, the majority of the 71 big city Mayors oppose any cutbacks in categorical aid.

The following comments to the question, "With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical programs?" drew the following typical responses:

> "With the advent of revenue sharing, we believe it would be desirable for the Federal Government to cut back its categorical grant programs only if there is an increase in revenue sharing . . . I feel some forms of categorical grants are necessary dealing with problems that transcend political boundaries (such as: water, sewer, solid waste, air pollution, education, health and welfare) . . ."
>
> -- Woodbridge, New Jersey

> "No, the categorical programs provide vitally needed revenues to the City to provide specific services. If these categorical programs are replaced with bloc grants enabling the City to program its efforts in the respective problem area, then we would favor fewer categorical programs. However, any replacement must be at least on a dollar-for-dollar basis."
>
> -- Dayton, Ohio

Another typical response was:

> "The goal to be achieved through revenue sharing has no relationship with the goals to be achieved through the categorical grant program. An example is that I should not expect revenue sharing would accelerate the construction of waste treatment plants or solid waste disposal systems, however, I am confident that a strong categorical grant program would achieve this national goal. It is my conclusion then that categorical grant programs should not be curtailed because of revenue sharing, but should be continued according to the national goals as set by Congress."
>
> -- Portland, Oregon

General Revenue Sharing: The First Round

Under the terms of the State and Local Fiscal Assistance Act of 1972, which established the general revenue sharing program, local governments may use revenue sharing funds for "ordinary and necessary maintenance and operating expenses" in any of the following priority areas:

1. Public safety, including law enforcement, fire protection, and building code enforcement;

2. Environmental protection, including sewage disposal, sanitation, and pollution abatement;

3. Public transportation, including transit systems and streets and roads;

4. Health;

5. Libraries;

6. Social services for the poor or aged; and

7. Financial administration.

Also included in the list of permissible expenditures are ordinary and necessary capital expenditures authorized by law.

Because the cities received the Subcommittee's questionnaire shortly before they received the first revenue sharing checks in December 1972, the answers to the question, "How do you plan to use the assistance your community will receive under the new revenue sharing program?" varied widely in terms of responsiveness and detail. However, as a generalization it can be safely said that the vast majority of cities -- both large and small -- intended to spend the first round of revenue sharing in the following areas: capital improvements, including streets and roads; public safety; and salary adjustments, including hiring new personnel. Somewhat less frequently mentioned were various forms of tax relief and environmental improvement. Only a small minority of the cities which provided detailed responses indicated that revenue sharing money would be channeled into social services for the poor or elderly or other forms of recurring expenditures.

It is important to note that most of the cities responding to the Subcommittee survey did so before the Administration's Budget for Fiscal Year 1974 was announced and before local officials had any indication that they were expected to use revenue sharing funds to replace Federal monay cut back from social programs.

69 Big Cities: Specific Answers

The attached sheets represent the partial answers of large cities to six specific questions.

QUESTIONNAIRE

1. Please list the following characteristics of your community?

   a. Population
   b. Form of government (mayor, counsel, manager, etc.)
   c. Name and title of chief administrative officer
   d. Dates of your fiscal year and of the term of the highest elected official
   e. Number of full time, professional, city employees

2. What is your community's budget for the current fiscal year?

3. What are your principal sources of revenue (list the percentage of revenue you receive from property tax, sales tax, income tax, State aid, Federal aid, etc.)?

4. How much Federal assistance does your community receive? List the five major sources of Federal assistance, excluding welfare.

5. Do you believe there is too much red tape in applying for Federal assistance, and, if so, has Federal red tape ever discouraged or prevented your community from undertaking a program that you believed necessary or worthwhile? Please list specific examples.

6. Has your community participated in programs under the Intergovernmental Personnel Act? Does your community need more professional expertise in order to apply for Federal assistance? (List examples of special problems such as the need for information more complex than you can provide, and be specific about what kind of professional expertise you could use.)

7. Do you have a representative in Washington to help you seek out Federal money?

8. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

9. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

10. How do you plan to use the assistance your community will receive under the new revenue sharing program?

11. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

12. Does your community belong to a metropolitan, county or other regional planning agency, and, if so, does that agency have veto power over your grant applications for Federal assistance?

ALBUQUERQUE,
New Mexico

1. What is your community's budget for the current fiscal year?
$64,474,430 -- FY '73.

2. How much Federal assistance does your community receive?
$14,957,691.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?
Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?
- Finance major capital improvements. - Increase manpower and equipment in the Police Department. - Improve financial base of City by realigning the tax resources with the State.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No.

ANAHEIM,
California

1. What is your community's budget for the current fiscal year?

$50,717,723

2. How much Federal assistance does your community receive?

Fiscal Years 1971-1972 - $1,458,307

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Somewhat - complexity of grants administered by different agencies with different regulations.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Major storm drain facility, building for senior citizens, architect's fees, police communication equipment, and acquisition of land for a dump site.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

AUSTIN,
Texas

1. What is your community's budget for the current fiscal year?

$97,753,046 - FY' 72 - FY '73

2. How much Federal assistance does your community receive?

$32,741,183

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Recommends a mix of Federal aid programs, i.e., mix of categorical aid, block grants and revenue sharing.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Under consideration presently -- Capital projects and social programs.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Only if the "mix" recommended in 4 is developed and overall Federal funding remains or increases.

BOSTON,
Massachusetts

1. What is your community's budget for the current fiscal year?

$242,789,615 (city and county) - FY '72

2. How much Federal assistance does your community receive?

Approximately $70 million annually

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To keep property taxes down.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

BRIDGEPORT,
Connecticut

1. What is your community's budget for the current fiscal year?

$67,232,610

2. How much Federal assistance does your community receive?
$35 Million approximately in grant and project money

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No definite answer -- it could though in some cases

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Has not been determined yet

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes, favors ending categorical grants entirely.

CEDAR RAPIDS,
Iowa

1. What is your community's budget for the current fiscal year?

$20,579,675 - State and Federal aid - 10% of revenues.

2. How much Federal assistance does your community receive?

"$23,815,355 actual Federal commitment" -- "$17 Million proposed Federal commitment."

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes, categorical grants could be more efficient if enough money is appropriated.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Unsure yet. City has many questions regarding revenue sharing.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes with qualifications. If enough money is provided and if guidelines are flexible.

CHATTANOOGA,
Tennessee

1. What is your community's budget for the current fiscal year?

$38,679,367.

2. How much Federal assistance does your community receive?

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To prevent property tax increases;
For unmet capital improvements and current operational requirements;
Not to be used as substitute funding of existing programs nor in creation of new programs.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes, with funds remaining or increasing.

CHICAGO,
Illinois

1. What is your community's budget for the current fiscal year?

$993,537,251 (total budget for all funds)

2. How much Federal assistance does your community receive?

$104,807,088 - 1971

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, in addition to present funding.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Public safety - $126.8 million, library, sanitarium - $2.2 million.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

CINCINNATI,
Ohio

1. What is your community's budget for the current fiscal year?

$107,655,240 FY'73 - Federal aid - 18.1% of revenue

2. How much Federal assistance does your community receive?

$31 million estimated, including $8.3 million from revenue sharing.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Maintenance of current service levels; capital and operating betterments

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes, with corresponding increase in revenue sharing.

COLORADO SPRINGS,
Colorado

1. What is your community's budget for the current fiscal year?

$24,311,285 - FY 1973. FY 1972 - $19,856,080

2. How much Federal assistance does your community receive?

$4, 659,000 - 1972 (not complete)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No, with reservations

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvement-type projects

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, block grants are most desirable.

COLUMBIA,
South Carolina

1. What is your community's budget for the current fiscal year?

$20,733,927 - FY '72 - FY '73.

2. How much Federal assistance does your community receive?

$1,195,700 plus grants from EPA and HUD (FY '71 - FY '72)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

No/Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To upgrade salaries of City employees;
To improve living conditions in low-income areas by paving streets, etc;
Capital improvement projects.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, unless replaced by block grants.

COLUMBUS, Georgia

1. What is your community's budget for the current fiscal year?

$21,401,189 - FY 1973

2. How much Federal assistance does your community receive?

$14,330,700 - 1967-7/72 (not complete figures).

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

"Not in all cases."

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, with qualifications.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Public safety - salaries, alterations of building; environmental protection - salaries of employees of public works and sanitation; public transportation (transit system, streets and roads) - salaries; health; recreation; libraries, social services (for poor and aged); financial salaries; administration

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes, as long as money be provided at an adequate level.

CORPUS CHRISTI,
Texas

1. What is your community's budget for the current fiscal year?

$34,876,943 (excluding Federal funds)

2. How much Federal assistance does your community receive?

$10,341,817.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To complete capital improvement type projects;
Salary increases;
public safety;
Environmental protection; Public transportation; Health, recreation, social services for the poor or aged; Financial Administration; Libraries.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No.

DALLAS,
Texas

1. What is your community's budget for the current fiscal year?

$220 Million

2. How much Federal assistance does your community receive?

$57 Million

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes, i.e., manpower programs. No, i.e., water and sewer, open space, etc.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Favors categorical grants adapted to meet community needs, plus block grants/revenue sharing.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Public safety, public transportation, environmental protection, health, recreation, libraries, social services for the poor and aged, general public improvements.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, unless revenue sharing equals Federal categorical grants total dollar amount.

DAYTON,
Ohio

1. What is your community's budget for the current fiscal year?

$79,146,980 (projected for '72) Federal aid (including Revenue Sharing) - 21.2% of city revenues.

2. How much Federal assistance does your community receive?

$16.8 million, approximately in '72

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Not yet appropriated.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, unless there is a replacement on a dollar for dollar basis.

DEARBORN,
Michigan

1. What is your community's budget for the current fiscal year?
$32,605,024 -- Total general enterprise and special revenue appropriations. Federal aid - 0.1% of revenues.

2. How much Federal assistance does your community receive?

$701,255

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

For the construction of low-income apartments for senior citizens.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes. "in most cases" -- "however . . ."

DENVER,
Colorado

1. What is your community's budget for the current fiscal year?

$117.6 million (1973 preliminary) operating general fund

2. How much Federal assistance does your community receive?

$37 million in 1972

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital projects - development and improvement of the Platte R. Valley, acquisition of capital equipment, different public works, elm disease control and tree replacement, replacement of fire stations, airconditioning of libraries. $23,079,000 - '73.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, not if it means less Federal monies coming to city. Favors block grant system.

DETROIT,
Michigan

1. What is your community's budget for the current fiscal year?

$684,147,457

2. How much Federal assistance does your community receive?

$57 million under revenue sharing.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Police, fire protection; health services; addict rehabilitation; park development; mass transit, environmental protection.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

ELIZABETH,
New Jersey

1. What is your community's budget for the current fiscal year?

$43,128,981 (combined budget for Municipal, County and Educational purposes) -- Federal aid - 2.1% of revenues.

2. How much Federal assistance does your community receive?

1972 estimates (including revenue sharing) $2,432,469.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Presently under review.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No.

ERIE,
Pennsylvania

1. What is your community's budget for the current fiscal year?
Estimated $14.8 Million for FY '73. $12.8 Million for FY '72.

2. How much Federal assistance does your community receive?
$5.5 Million approximately (from 1/72 - 11/72)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?
Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvements -- streat paving, reduction in property taxes.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, not if it means less money than before.

FLINT,
Michigan

1. What is your community's budget for the current fiscal year?
$24,772,393 (not including revenue sharing). Federal grants - 0.3% of revenues

2. How much Federal assistance does your community receive?

$8.58 Million (not inclusive)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?
Yes because of the limited amount of funds available through categorical grants.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

"Not necessarily," both are necessary.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvements; affirmative action; public safety.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

FORT WAYNE,
Indiana

1. What is your community's budget for the current fiscal year?

$22,723,885

2. How much Federal assistance does your community receive?

$4,977,839 (8/71 to present)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Yet to be established.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, unless revenue sharing increases proportionately.

FORT WORTH,
Texas

1. What is your community's budget for the current fiscal year?

$68.7 Million - FY '72 - FY '73.

2. How much Federal assistance does your community receive?

$13,300,501 - FY '71 - FY '72.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?
Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.   No in areas of water and air pollution.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To supplement local budget for community-wide services;
Financing of capital improvement projects.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No.

FRESNO,
California

1. What is your community's budget for the current fiscal year?

$44,404,391, excluding State and Federal grants (FY '73) Budget, including all grants -- $66,217,000.

2. How much Federal assistance does your community receive?
$20,242,100
$ 1,570,508 State grants
$21,812,609 Total

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Economic development, redevelopment, public works, model cities/planned variations, police department, fire department, youth commission, administration, parks and recreation, planning and inspection (conservation).

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

GARDEN GROVE,
California

1. What is your community's budget for the current fiscal year?

$14,852,709

2. How much Federal assistance does your community receive?

Not given.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Categorical grants are good, however, they do not satisfy all community needs. (Yes)

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

For the construction of storm drains; capital improvement projects.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

GREENSBORO,
North Carolina

1. What is your community's budget for the current fiscal year?

$38,976,550 - FY '72-'73

2. How much Federal assistance does your community receive?
$2,793,830 - 1/72-11/72

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?
Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Being finalized.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

HAMMOND,
Indiana

1. What is your community's budget for the current fiscal year?

$12,341,348 - Federal aid - 1% of revenues

2. How much Federal assistance does your community receive?

Not given.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes, only when unrelated provisions are attached to the categorical grant, i.e., a requirement that public housing be constructed in a particular area before sewer funds may be utilized.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, but total funding level should not be reduced under revenue sharing.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvements programs - garbage disposal, public transportation, intersection improvements.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

HONOLULU,
Hawaii

1. What is your community's budget for the current fiscal year?

$142.4 Million - FY 1972-73 (Federal grants est. $2.6 Million).

2. How much Federal assistance does your community receive?

$2.8 Million in FY 1971.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No, but system of categorical grants is "cumbersome and unnecessary," involving bureaucratic hassles.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, if the choice is on an either/or, then revenue sharing or block grant is the most desirable.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

For capital expenditures - public works, recreation, traffic and building departments.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No (see # 4), but sees number of categorical grants decreasing.

JACKSON,
Mississippi

1. What is your community's budget for the current fiscal year?

$2[illegible],772,642

2. How much Federal assistance does your community receive?

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Not determined yet.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No.

KANSAS CITY,
Kansas

1. What is your community's budget for the current fiscal year?
$26 Million - Federal aid - 15 % of revenues

2. How much Federal assistance does your community receive?

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes, because of commission form of government.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To lower the personal property tax.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes

LANSING,
Michigan

1. What is your community's budget for the current fiscal year?

$21 Million - FY 1972-73 (includes debt service) Revenue sharing 10% of revenues

2. How much Federal assistance does your community receive?

$9,063,122 - FY 1971-72, plus approximate $2 Million for revenue sharing.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvement programs (salaries for public safety employees, increases in Social Security increases for employees) - required by Federal guidelines.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes

LITTLE ROCK,
Arkansas

1. What is your community's budget for the current fiscal year?

$12,946,253, excluding Federal funds (1973)

2. How much Federal assistance does your community receive?

$2,597,238 (not a complete figure)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvements

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

LIVONIA,
Michigan

1. What is your community's budget for the current fiscal year?

$9,513,183 - FY 1973. Federal aid - 1% of revenues.

2. How much Federal assistance does your community receive?
$1,781,000

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To improve police protection; to expand recreational facilities; to improve streets and highways

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Only if cutback is followed by a related increase in revenue sharing.

LONG BEACH,
California

1. What is your community's budget for the current fiscal year?

$67,693,999

2. How much Federal assistance does your community receive?

$9,511,500 in grant-in-aid funds for FY '72-'73 (not complete)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvements, library services, social services, public safety planning, public health programs.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

LOS ANGELES,
California

1. What is your community's budget for the current fiscal year?
$622,732,042 for departments under Mayor-Council control 4.2% of city revenues are Federal grants.
$1,368,428,331 including the proprietary departments (airports,harbor, water & power

2. How much Federal assistance does your community receive?

$66 million in FY '71-'72

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Unclear

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?
Final decision has not been made but the following are under consideration: To eliminate budget deficit, workmen's compensation, finish construction of City Hall, construction of the Plaza Technical Center, to avoid '73-'74 tax increase, minibus, helicopter, emergency employment act support, city wide street sweeping, libraries, parks & recreation, community center, mall, etc.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Not if it means increasing property taxes in order to reach money level under grants-in-aid system.

LUBBOCK,
Texas

1. What is your community's budget for the current fiscal year?

$ 30,150,513 - FY '72 - FY '73.

2. How much Federal assistance does your community receive?

$29,329,671 (not complete).

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Not sure yet.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Future capital improvements, and their finance mechanisms are under study.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Too early to tell.

MONTGOMERY,
Alabama

1. What is your community's budget for the current fiscal year?
$22,859,628

2. How much Federal assistance does your community receive?

Revenue Sharing - 23.1% of budget.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?
Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?
Administration and Finance (salaries, court, library, museum, etc.); Public Works (salary, maintenance, building inspection, sanitary and plumbing departments); Public Affairs (police, fire, recreation); fire department, salaries,overtime; etc.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

NEWPORT NEWS,
Virginia

1. What is your community's budget for the current fiscal year?

$64,944,788 including school budget. Federal aid - 2% of city revenues (exclusive of welfare support).

2. How much Federal assistance does your community receive?

$9.8 Million approximately.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

"Not necessarily"

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, provided there is a compensation in funds for the loss of categorical programs.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

No definite decison yet made. Funds expected to be spend for capital expenditures rather than operational expenses.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

NORFOLK,
Virginia

1. What is your community's budget for the current fiscal year?

$130,892,129

2. How much Federal assistance does your community receive?

$60 Million approximately. Federal and State funds

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Recreation, health, environment, streets and drainage, replacement of equipment.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

OKLAHOMA CITY,
Oklahoma

1. What is your community's budget for the current fiscal year?

$39,373,083 - general operating fund.

2. How much Federal assistance does your community receive?

$18,199,485 since 1962.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Personal services salary adjustments - 45.8%.
New personnel - 13.0%.
Maintenance and operations - 16.5%.
Capital items - 24.75%.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

They "can be reduced" in number.

PHOENIX,
Arizona

1. What is your community's budget for the current fiscal year?
$187.6 Million

2. How much Federal assistance does your community receive?

$15,650,422 approximately.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, if total money amount is not reduced.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Public safety, environmental protection, public transportation, recreation, social services, city improvements, etc.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

PORTLAND,
Oregon

1. What is your community's budget for the current fiscal year?
$157.4 Million for all funds for FY '72 - FY '73.(Federal grants 9.3% of revenues) -- General fund $48.5 approximately.

2. How much Federal assistance does your community receive?

$14.7 Million FY '72 - FY '73

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Not Clear -- One drawback mentioned re: categorical grants.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Not outlined

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

PORTSMOUTH,
Virginia

1. What is your community's budget for the current fiscal year?

$35,463,127

2. How much Federal assistance does your community receive?

Dollar amount not given.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To finance health, recreation and public safety programs.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, unless additional revenue sharing is received.

PROVIDENCE,
Rhode Island

1. What is your community's budget for the current fiscal year?

$76,106,921 FY '72 - FY '73.

2. How much Federal assistance does your community receive?

$10.1 Million on the average per FY.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No, categorical grants tend to deflect local programming.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Somewhat.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Public safety - police, fire, building code enforcement;
Environmental protection - sewage disposal;
Public transportation - streets;
Recreation - ice skating facilities;
Financial Administration;
Capital expenditures.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No, if level of funding is cut back for categorical programs.

RICHMOND,
Virginia

1. What is your community's budget for the current fiscal year?

$146,474,359 general fund budget.

2. How much Federal assistance does your community receive?

Not available

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Not yet determined.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

SACRAMENTO,
California

1. What is your community's budget for the current fiscal year?

$60,083,988 2.6% of revenues are Federal grants.

2. How much Federal assistance does your community receive?

$1,381,007 plus grants from some agencies.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, provided level of support is not reduced.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To catch up with overdue capital improvement projects.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Not if net result is less money.

SAINT PAUL,
Minnesota

1. What is your community's budget for the current fiscal year?

$58,890,087

2. How much Federal assistance does your community receive?

$27,400,785 -- FY '71 and FY '72.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To be appropriated to the general fund, which will finance certain city operating services and indirectly provide tax relief.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Not really.

ST. PETERSBURG,
Florida

1. What is your community's budget for the current fiscal year?

$39,096,300 - FY 1973 "operating budget."

2. How much Federal assistance does your community receive?

$2.8 Million in FY 1972

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No, "current federal system is not . . .overly restrictive."

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Not finalized yet.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes

SAN DIEGO,
California

1. What is your community's budget for the current fiscal year?

$145,673,151

2. How much Federal assistance does your community receive?

$19,219,071

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Sometimes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, if current level of support is maintained.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Improving environmental quality, meeting human needs, capital investment to reduce operating costs (providing property tax relief).

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Yes, as long as monies received do not drop below level of categorical grant assistance.

SAN JOSE,
California

1. What is your community's budget for the current fiscal year?

$54 Million general budget revenues.

2. How much Federal assistance does your community receive?

$11,470,608

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Operations and capital improvements: administrative, fiscal and legal services - computer upgrade.

General - Addition to City office building, land acquisition Services

Public Safety - police manning; fire equipment, communications building and associated equipment, police building and garage.

Environmental protection and beautification - street tree maintenance senior citizens center expansion, civic center parking, library books, library replacement.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

SAN JUAN,
Puerto Rico

1. What is your community's budget for the current fiscal year?

$4,505,096

2. How much Federal assistance does your community receive?

$2,504,670 (not complete)

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Not applicable

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

Not applicable

SAVANNAH,
Georgia

1. What is your community's budget for the current fiscal year?

$21,730,528 - FY 1972 - Federal Aid-10.9% of revenues.

2. How much Federal assistance does your community receive?

$2,363,454 - FY 1972

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, "theoretically"

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Public safety - law enforcement, fire protection, code enforcement; environmental protection - sanitation; capital improvements; equipment replacement.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

SEATTLE,
Washington

1. What is your community's budget for the current fiscal year?

$87.5 Million.

2. How much Federal assistance does your community receive?

$100 Million approximately.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, without loss of total money.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Balance city budget, build up formerly cut programs.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

"Should not be indiscriminately cut."

SOUTH BEND,
Indiana

1. What is your community's budget for the current fiscal year?

$15,832,973 - FY 1972

2. How much Federal assistance does your community receive?

$20 Million

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Is being developed now.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

SPRINGFIELD,
Missouri

1. What is your community's budget for the current fiscal year?

$13,445,885 -- FY '72

2. How much Federal assistance does your community receive?

$14,901,309 -- FY '72

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Wages; limited capital improvements.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No -- should be replaced by block grants.

STAMFORD,
Connecticut

1. What is your community's budget for the current fiscal year?

$60 Million (operating budget). Federal and State Aid revenues--15%.

2. How much Federal assistance does your community receive?

Not available

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewe[illegible] [illegible]ants or anti-poverty grants) prevents you from using Federa[illegible] [illegible]ney in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, "absolutely".

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Better police protection, environmental expenditures, pension funding

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

STOCKTON,
California

1. What is your community's budget for the current fiscal year?

Approximately $22 million

2. How much Federal assistance does your community receive?

$12,471,308 since 7/1/69, plus more assistance through county government.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

No, favor block grants/revenue sharing as well as categorical grants.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

For major long-term projects, capital improvements, parks & recreation, neighborhood development, police department.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

SUNNYVALE
California

1. What is your community's budget for the current fiscal year?

$23,193,960

2. How much Federal assistance does your community receive?

Amount not given

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Final determination not yet made

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

SYRACUSE,
New York

1. What is your community's budget for the current fiscal year?

$77,619,141 (including school districts)

2. How much Federal assistance does your community receive?

$18 Million approximately.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes, revenue sharing.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital expenditures, increased police and fire protection.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

TOLEDO,
Ohio

1. What is your community's budget for the current fiscal year?

$83,409,330 - FY 1972 - Federal aid - 15.02% of city revenues

2. How much Federal assistance does your community receive?

$14.2 Million anticipated in FY 1972.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes, in regards to meeting local priorities; No, in regards to categorical grants in meeting specific needs of the cities.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Favors consolidation of grants (both block and categorical).

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

"No firm commitment on the allocation of funds." Manager - current operations program improvement using ½ of first year's revenue sharing of $4.6 Million.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

TUCSON,
Arizona

1. What is your community's budget for the current fiscal year?

$60,294,377

2. How much Federal assistance does your community receive?
City manages approximately $57 million in Federal programs, County receives $126 million.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

To some extent.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?
No, when attacking a specific, yet not very visible local problem.
Yes, when block grants or clusters of categorical grants are used to attack nationally recognized problem areas.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

At first for capital projects, later probably for human resources. Final determination not yet made.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

TULSA,
Oklahoma

1. What is your community's budget for the current fiscal year?
$54,005,606 FY '72 - FY '73 all funds.
$33,815,000 general funds.

2. How much Federal assistance does your community receive?

$66,406,846.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes.

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

"undetermined"

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

WARREN,
Michigan

1. What is your community's budget for the current fiscal year?
$39,668,900

2. How much Federal assistance does your community receive?
$1,494,966; $1,088,000 in revenue sharing 12/72 = $2,582,966.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvements - court facilities, police headquarters building, fire stations, senior citizens housing, etc.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

WASHINGTON,
D. C.

1. What is your community's budget for the current fiscal year?

$834,756,800

2. How much Federal assistance does your community receive?

$291,924,800 estimated

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Somewhat

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

To supplement operating programs of D. C. government

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

WICHITA,
Kansas

1. What is your community's budget for the current fiscal year?

$30,376,468 - FY 1971, exclusive of Federal and utility funds.
Federal aid - 25% of revenues

2. How much Federal assistance does your community receive?

$11,274,546

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Favors a mix of block grants and categorical grants

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Presently being determined

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

WORCESTER,
Massachusetts

1. What is your community's budget for the current fiscal year?

$103 Million approximately.

2. How much Federal assistance does your community receive?

$6 Million approximately.

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

Yes

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Yes

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Under discussion

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

YOUNGSTOWN,
Ohio

1. What is your community's budget for the current fiscal year?

$29,086,873 - FY '72 (all budgets)

2. How much Federal assistance does your community receive?

$5,255,235

3. Do you feel the current Federal system of furnishing assistance in the form of categorical grants (grants for a specific purpose such as water and sewer grants or anti-poverty grants) prevents you from using Federal money in a manner which is best for your community?

No

4. Would you favor Federal assistance coming to your community in the form of block grants or revenue sharing rather than as categorical grants?

Depends on nature of problem.

5. How do you plan to use the assistance your community will receive under the new revenue sharing program?

Capital improvement, general operation.

6. With the advent of revenue sharing, do you believe it would be desirable for the Federal Government to cut back its categorical grant programs?

No

City of Winston-Salem, N.C., *February 14, 1973.*

Hon. Edmund Muskie,
U.S. Senate,
Washington, D.C.

Dear Senator Muskie: Knowing of your concern for the good of the Country and the conditions in our cities, I am writing to you regarding the President's proposed budget and his impounding procedures.

Winston-Salem has been the recipient of many Federal dollars that began under President Johnson's Great Society. We have evidence of the good that these programs have done for the City, but with the sudden cutoff proposed by the President, it is the opinion of the majority of us in City Government that we are going to see chaos as the result of the abolition of many of these programs.

Our urban renewal program has been extremely successful but there have been certain areas that have been eliminated from our proposal each time; and, consequently, we still have pockets of deterioration in the City. An example is shown in the enclosed picture from the Winston-Salem Journal of February 8, 19‹3. Although we had this project on a high priority list, each time the Federal Government would eliminate it in preference for another section. Since we could not transfer funds from one section to another, the 10½ Street areas has gradually become worse and worse. All of the houses in this area are unfit for human habitation and are a disgrace to the City of Winston-Salem.

President Nixon tricked us into believing that revenue sharing would enable us to eliminate such ills. However, there were to be two types of revenue sharing--one general and one special. I still believe firmly in the principle of revenue sharing since it should enable us to do those things that need to be done. Revenue sharing without anything to share, as the President is suggesting, is certainly useless. There was an agreement with the President, Congress and the Mayors that general revenue sharing would not diminish the funds that had normally been used for categorical grants.

We anticipate extreme problems in the area of housing, urban renewal, and Manpower. Winston-Salem was notified just last week that our Manpower programs would be cut by over $729,000 from the 1973 budget. These were funds that we had planned on using to acquire positions for the many people still unemployed in our City.

The entire Experiment in Self-Reliance program is to be cut. This program has been especially beneficial in teaching the people to erase poverty by relying on their own efforts.

The elimination of all these programs means an increase in unemployment, since there were numerous people from the target areas employed by the various programs. These cuts are coming at a time when we were beginning to feel confident that progress was being made. Contrary to the President, I feel the urban centers have been greatly improved by these programs. Therefore I call upon you and every other thoughtful Senator and Representative to oppose the President's budget and make appropriations through special revenue sharing for the cities' needs.

I agree fully that there is a need for a balanced budget, but I do object strenuously to the President's priorities. Furthermore, if these programs are to be cut off, we should be given sufficient notice so that they could be eliminated gradually. During the four years of his first term of office, he supported categorical grants quite enthusiastically and gave every indication that these programs were needed for the country.

Although the City of Winston-Salem does not participate in the support of education, the interest of the community in education must be taken into consideration in the President's budget proposals. He has already impounded funds that were intended to help fully integrated cities meet the problems of integration. The Winston-Salem/Forsyth County School System is now having funds cut, thus eliminating much of the staff for the present school year. In other words, our school system is being penalized for having made integration work.

I feel confident that you and other thoughtful representatives of the people will see that our interests are upheld.

Sincerely,

Franklin R. Shibley, *Mayor.*

WAUKEGAN PUBLIC SCHOOLS,
Lake County, Ill., February 15, 1973.

Hon. EDMUND MUSKIE,
U.S. Senate,
Senate Office Building, Washington, D.C.

DEAR MR. MUSKIE: After a most careful review of our funding after the President's recent budget message, it seems important that you have some information from our schools for your consideration as legislation appears.

Public Law 874—Impact area

Current claim—1972–73:	
Class B students	1,900
Class B military	377
If all students allowed:	
Full funding	$570,000
Same percent as 1972	$450,000
If only military class B allowed:	
Full funding	$97,000
Same percent as 1972	$75,000
Loss to general fund of Waukegan public schools:	
If only military allowed	[1] $375,000
If none allowed	[1] $450,000

[1] This represents the same percent as last year.

FOLLOWTHROUGH FUNDING

Our project for the 1973–74 school year is now on file in Washington. That loss would amount to $250,000. If we lose this funding on this short notice, the cutbacks would surely cause damage in the community that would take years to repair.

Title I, ESEA: This program in Waukegan school is devoted entirely to an almost entirely black community and would mean a loss of $191,000. It goes in its entirety for reading programs for low-income, disadvantaged children.

NDEA title III: One of the few ways that funds can be used solely for obtaining materials and equipment that could not otherwise be obtained in our Waukegan schools. This amounts to $28,000. If we assume and consider the matching of these funds, the NDEA permits the use of $75,000.

Title II, ESEA: One of the main builders of a resource center and library which really is the heart of any school. This would amount to $24,375. As you probably well know, the Waukegan Public Schools are under orders from Dr. Bakalis to desegregate some ten of our schools. We anticipate application for funding under various titles in the amount of $500,000. Under Mr. Nixon's cuts, these titles are all but eliminated.

These above mentioned items directly affect us and play a major role in funds to operate on-going programs.

Roman Miller, our Business Manager, George Smittle, Superintendent, and myself, see approximately a million dollar loss to our schools. Our educated estimate to replace this amount of funding would be a referendum of at least $.35 or $35.00 per $10,000 appraised value of property. It would mean a 10% program reduction or 80 teachers dropped on the labor market.

This seems almost too much to ask in one year of any school system, especially with the slowdown on the Viet Nam situation. We sincerely hope that you will give these items careful consideration as President Nixon's budget matters reach decision. Certainly, we need to have some answers soon if we are to be planning for next school year. Our personnel need time to make other plans for employment, if necessary.

Sincerely,

HARRY S. BOWEN,
Associate for Supportive Services.

SHELBY COUNTY COMMISSIONERS,
Memphis, Tenn., February 23, 1973.

Hon. EDMUND S. MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations, Senate Office Building, Washington, D.C.

DEAR SENATOR MUSKIE: Thank you for kind invitation to testify to your Subcommittee on February 27th.

As you know, NACO, under whose auspices I would have testified, has since canceled its plans to offer testimony at this particular time to your Subcommittee. After NACO declined to testify, I made other commitments which I am unable to change.

Please be advised, however, that in addition to the answers to your questionnaire previously forwarded to you, I would suggest your Subcommittee again review the testimony I, and other Coordinators, delivered to your Subcommittee on Friday, September 12, 1969 (Page 129 to 151 of the hearings report on Intergovernmental Cooperation Act of 1969 and related legislation) which is as relevant today as it was then; since little has happened to improve the grant system.

Basically, we (meaning state local public and private jurisdictions) are caught between two "gut" desires—one is the vital importance to completely overhaul the grant-in-aid system within a more manageable block grant or revenue sharing means of dispersing decision-making and implementation funds to state and local public and private decision makers—the second desire is the *fear* of losing, if even for a period of three to eighteen months (if not forever) the federal funds we are now receiving and which are vital to maintenance of partnership programs, especially those concerned with the preservation of our environment and the continuing development of our human resources.

In conclusion, while I am forced to decline, temporarily I hope, your invitation to testify to your Subcommittee, I must state that recent stalemating actions by the Administration and the Congress can only irreparably harm, and further demoralize and divide our country and the people you both profess to want to help so badly. Its a great pity that the differing philosophies of the Congress and the Administration cannot be reconciled so our nation can begin to believe in herself again. Unfortunately, in 1972 ad 1973 Congressional testimony or the impounding of funds has yet to feed one more hungry person, build one more home, provide one more job, or clean up one more river.

Dejectedly yours,

CLIFFORD L. TUCK,
Director, Shelby County Development Coordination Department.

UNIVERSITY OF MASSACHUSETTS NEWS RELEASE, FEBRURARY 23, 1973

WASHINGTON, D.C.—Robert Wood, President of the University of Massachusetts and former Under Secretary and Secretary of the Department of Housing and Urban Development (HUD) from 1966 to 1969, today denounced President Nixon's "New Federalism" as "flawed in conception and fraudulent in application."

"What the Nixon program does, in Justice Benjamin Cardozo's phrase, is to make a promise to the ear and break it to the heart," said Dr. Wood. "The proposal is flawed", he said, "by the abdication of responsibility for national action to set national priorities. Just as we at last turn our attention from a devastating war to the country's mounting domestic problems, so long deferred, we find our federal government turning its back, shrugging off its established responsibility to provide leadership and priorities in the name of local democracy."

The application, however, "is downright fraudulent", he added. "In brief, the Nixon programs are but a new version of the old shell game—whichever shell you look under, the federal funds you thought were there have vanished.

"On the one hand the American people have been told that general revenue sharing is extra money, to be used by states and cities to relieve the growing tax burden and to fund new programs. But it has not been made clear that sharing is coupled with massive cutbacks in educational and social programs upon which the same states and cities depend heavily.

"Mr. Nixon is offering local governments $6 billion in general revenue sharing while phasing out or terminating 112 social action programs costing $16.9 billion, in effect a $10.0 billion withdrawal."

Dr. Wood called the rhetoric of the "New Federalism" appealing because of the needed simplification of the federal grant-making structure and strengthening of local initiative. But, noting that Congress intended general revenue sharing to be supplementary to other federal funding and part of national priority setting, Dr. Wood criticized the Nixon proposal as going too far. "It is not only the poor and minorities who will suffer from 'special' revenue sharing," said Wood. "The fact is that every constituency with special needs and no special political leverage will suffer. Programs for the handicapped and mentally retarded, scientific research, and the creation of new towns are just three obvious, widely disparate examples of needs which local governments are unlikely to respond to when the pie is divided solely according to local initiative.

"Mr. Nixon's New Federalism—which I'm certain Thomas Jefferson would angrily disavow—would not have the federal government but each of the 100,000 governmental units additively setting our national policy on such matters as housing, civil rights, mass transportation, urban development and education.

"When there is only a sum of local priorities, there are not national priorities."

Dr. Wood said the president's recent impounding of congressionally authorized funds was a "cousin" to the "New Federalism", with the two having disastrous effects on both higher education and social programs. ". . . if the New Federalism asks Congress to abdicate standard-setting and oversight regarding the use of federal tax dollars at the state and local levels, the doctrine of impoundment says the president can ignore what Congress instructs at the federal level."

Regarding the affect on higher education, Dr. Wood said the president already has impounded at least $128 million in higher education funds and proposed a student financial aid program that is contrary to the congressional program and which will result in a congressional-executive branch stalemate that will be destructive to higher education. In addition, there are widespread program cuts in graduate student training, college teacher fellowships, college housing, university-community services, and undergraduate teaching equipment. "The Nixonian rhetoric would have us turn to the state to make up for the lost resources," said Dr. Wood. "The problem is that many states are already making a major effort (and) it is rather hard to expect the state to take up the Nixon slack as well."

Concerning social programs, Dr. Wood said, "the budgeting shell game is at its worst in the urban area, with a budget request of only $2.7 billion for programs of the Department of Housing and Urban Development, a reduction of 36 percent from the current fiscal year's $4.2 billion. Not only have nearly $600 million of current funds been impounded, but all community development programs are to be terminated."

The purpose of the Model Cities program was to allow cities to set their own priorities, strategies and tactics in dealing with their mounting problems, Wood added. But the unrestricted block grant had "closely regulated standards of performance (which) encourages institutional reform instead of simply dumping more money on top of an already overburdened and inefficient local government."

The Nixon Administration has charged that the housing programs of the 1968 Housing and Urban Development Act which it is dismantling are inept and inefficient. Dr. Wood pointed out that "it was the Administration's George Romney and Elliot Richardson who administered the program for four of the Act's five years. The scandals in housing Mr. Nixon speaks of were not scandals of the administration that created the law. They were the scandals of the administration that managed the law."

In ending his testimony, Dr. Wood said that the New Federalism's effects "are grievous losses that weaken the federal-local partnership. reduce the capability of state and local governments to respond, and short-change us all. They add up to a governmental strategy of irresponsible buck-passing that is unique in this century."

Statement of John J. McDonough, Kansas City, Mo.

TAX REFORM/TAX REVOLT DEFEATING HIGHER TAXES

Mr. Chairman, Committee Members, ladies and gentlemen, I am John J. McDonough, 10346 Cleveland, Kansas City, Missouri. I am most grateful for this

opportunity to present suggestions, which are supported by "Tax Reform Instead! Instead of High Taxes!", a group of Kansas Citizens who brought the "Tax Revolt" to Kansas City by beating tax increases at the ballot box in unashamed campaigns, which publicly marshalled voters to come out and vote NO against tax hike proposals.

OPPOSE HIGHER TAXES

We do not want another federal tax increase, we do not want further state or local tax increases either. The Tax Foundation tells us that already, about 45% of our earnings are taken by the tax collectors. Our family finances tell us that there have got to be other answers. Besides, one tax increase would give only very temporary relief to the big spenders. Their appetites for the taxpayers' earnings are insatiable. There are some basic American values that we must get back to, if we are to put our fiscal house in order.

PUT LOCAL PRIORITIES IN ORDER BEFORE BLAME FEDERAL GOVERNMENT

Indicative, the group of mayors recently here in Washington before Senator Muskie's subcommittee—these are mayors from states and local governments which are collecting plenty enough money to solve their cutbacks, if any, of Federal aid—but their anger was misdirected at the Administration, which is willing to budget 10% more than last year. But that is not increase enough for some public officials, their "needs" are insatiable. As long as someone will put up the limitless supplies of tax funds, these local officials do not need to put their own local and state priorities in order.

THE GIANT TAX LEAK WHICH MISDIRECTS LOCAL AND STATE PRIORITIES

Let me give you this suggestion, it is my main reason for being here, it is about a giant TAX LEAK from state and local treasuries—surely TAX LOOPHOLES need to be reviewed but we wouldn't need more revenues if our spending of public funds was not geared to paying for free rides for those who have the income ability to pay their own way—and here is the suggestion, a suggestion which would plug a great *big leak*, so big (perhaps $20 billion annually) that if those local and state officials would get it fixed at home they could help themselves and not come to Washington and blame everybody else.

RICH FAMILIES RECEIVING SUBSIDY INSTEAD OF THE POOR, TAXPAYERS HARMED UNNECESSARILY

My reference here is to our sacred cow-like practice of giving expensive public education benefits *free* to the rich and well-to-do, and thus depriving our urban and rural poor of other benefits these massive sums of tax monies would provide if used for jobs, housing, nutrition, health and so much else. And correspondingly, heavily taxing our middle class, piling up more and more tax burdens on them unnecessarily, and bringing on a tax rebellion against programs to alleviate actual need and suffering.

PUBLIC EDUCATION SUBSIDY NOT GEARED TO NEED

The time has come to ask those who can afford it, to pay something for the public education benefits they receive; and receive each year to the detriment of already over-burdened taxpayers, and to the detriment of other areas of public need that are continually deprived of adequate financing *because one area of our national life is massively funded without regard to need.*

APPLY "USERS" CHARGES TO HIGH INCOME PUBLIC SCHOOL AND COLLEGE

I ask your Committee for congressional leadership that will motivate state and local governments to introduce "*Users' Charges*" *for high income public school and college families.* Such charges could be paid as additives to state income tax reports, avoiding embarrassing means tests for anyone; and would self-finance public education tax needs—and free perhaps 20 billions of tax dollars annually for other purposes.

I ask your committee to initiate formal studies that would determine dollar savings possible by plugging this leak in our tax structure which hurts so many

in need, and I have attached a sample constitutional amendment which states could perhaps utilize to study and implement this plan.

Thank you for your consideration.

House Joint Resolution No. —

JOINT RESOLUTION Submitting to the qualified voters of Missouri, an amendment repealing section 1(a) of Article IX of the Constitution of Missouri relating to education and adopting one new section in lieu thereof relating to the same subject.

Be it resolved by the House of Representatives, the Senate concurring therein: That at the next general election to be held in the state of Missouri, on Tuesday next following the first Monday in November, 1970, or at a special election to be called by the governor for that purpose, there is hereby submitted to the qualified voters of this state, for adoption or rejection, the following amendment to Article IX of the constitution of the state of Missouri:

Section 1. Section 1(a), Article IX constitution of Missouri, is repealed and one new section adopted in lieu thereof, to be known as section 1(a), to read as follows:

Section 1(a). The general assembly shall establish and maintain free public schools for the gratuitous instruction as provided by law of all persons in this state who have not reached the age of twenty-one, and whose annual income or the annual income of his parents, does not exceed the sum of fifteen thousand dollars. Any person whose annual income or the annual income of his parents exceeds the sum of fifteen thousand dollars shall be required to pay a portion of the cost of his instruction and that portion shall be computed as follows:

Any person whose annual income or whose parents' annual income is fifteen thousand dollars or more, but not more than fifteen thousand nine hundred and ninety-nine dollars and ninety-nine cents, shall pay fifteen percent of the cost of his instruction; any person whose annual income or whose parents' annual income is sixteen thousand dollars or more, but not more than forty thousand dollars shall pay an additional one percent of the cost of instruction for each one thousand dollars of annual income in excess of fifteen thousand dollars; any person whose annual income or whose parents' annual income exceeds forty thousand dollars shall pay one hundred percent of the cost of instruction.

The percent of instruction due shall be paid as a tax reported and paid with the state income tax of such person or his parents. Proceeds from this tax shall be used for public educational purposes and for no other purposes.

The New Federalism: The Future of the United States Federal System

(By Frank Rodio, Jr.,)

Mr. Chairman and distinguished members of the Subcommittee on Intergovernmental Relations:

The United States federal system is in danger of becoming as extinct as the prehistoric dinosaur. The Union of 50 United States of America is not the same federal union as envisioned by the convention held in Philadelphia during the hot summer of 1787. The founding fathers sought to establish a federal government serving the interests of a strong federal union of states. Yet events have turned out to be otherwise. The Civil War of 1861–1865 forever settled the "states rights" doctrine and the related question of secession from the Union.

The federal government has been accumulating extensive powers at the expense of the states and localities for over a century. The trend has been more pronounced over the past four decades. The major reason for the continued "flow of power" from the localities and states to Washington is the weakness of governmental institutions. Local and state governmental institutions are weak because local and state organic laws and constitutions are ineffective and weak. A majority of constitutions and organic laws were drafted a century ago. Massachusetts adopted its constitution in 1780.

New Hampshire adopted its constitution in 1784. Vermont adopted its constitution in 1793. These and other constitutions and organic laws inhibit local and state governments from effectively dealing with and solving modern-day problems. You gentlemen might be interested in knowing where the strengths and weaknesses of state and local governments lie. Thirty-six state constitutions

provide for the calling of constitutional conventions comprised of delegates elected by voters. All state legislatures except New Hampshire may propose constitutional amendments.

Two-thirds of the states require a simple majority to two-thirds vote of the legislature. The other third of the states require constitutional amendments to be passed in two successive legislative sessions by a majority or larger vote. All states but Delaware provide for constitutional amendments to be ratified by a simple majority or its equivalent of the popular vote in a referendum. Fourteen states provide for constitutional amendments to be proposed in a "constitutional initiative" with petitions signed by 10% of the registered voters, 43 states of the Union have enacted personal income taxes. Pennsylvania's antiquated 1874 constitution provides for only "flat" state income tax levies instead of the more equitable "graduated" tax levies. State legislatures should ratify amendments and call conventions in two annual sessions by a two-thirds vote.

A public referenda should approve or urge such measures by two-thirds vote. Each state constitution should also provide for constitutional initiative. I should like to discuss state government reform. Governors are the chief executive officers of the 50 states. Governor's duties vary from state to state. The Governor should be limited to serve only two consecutive four-year terms. Pennsylvania's current Governor, Milton Jerrold Shapp, is the first in his state to be allowed to succeed himself as a result of the 1968 constitutional convention. A Lieutenant Governor should be elected in all 50 states serving the same term and on the same ticket as the Governor. The Governor should have the power to appoint and remove all executive branch officials and have the power of item-veto over all legislation.

All states and territories should establish the office of ombudsman to assist citizen complaints. State jurists should be appointed by the Governor, not elected, only after consultation with the state bar associations. State legislatures are in definite need of reform. They should be elected for three-year terms, not the same year as the governor. They should be adequately staffed, well-paid and have electronic voting devices. They should serve year-round sessions and have conflict-of-interest laws.

The citizens conference on state legislatures report should be fully implemented. The state electoral system should provide for initiative, referendum and recall. Let's look at county and local governments. There are 3,042 counties in 47 states (parishes in Louisiana). Alaska and Rhode Island have no counties. Texas has the largest (254) number of counties and Delaware has only 3. Ten counties in various states have been consolidated with cities, (Boston, New York and Philadelphia.) Counties are agents of the state. In Philadelphia, the city district attorney has been classified as an officer of the commonwealth of Pennsylvania.

My own state of New Jersey has been referred to as the most urbanized state in the union of 50 United States of America, having 21 counties and 567 separate municipalities. I reside in Rosedale, Winslow Township, Camden county, New Jersey—the first congressional district. Camden county, New Jersey has 37 municipalities. The New Jersey General Assembly enacted into law the 1972 County Government Optional Charter Review Act. Camden county, New Jersey, will hold a referendum on November 6, 1973 to appoint a county charter review study commission. The 1972 law allows New Jersey counties to change their governmental formats.

The 1972 New Jersey law could serve as a model for other counties to follow. I suggest county government should have an appointive "strong manager" with authority to hire and fire personnel and make policy initiatives. The county or freeholder board would be a legislative body. The United States of America has 233 metropolitan areas. Municipalities are state agents. Until 1901 the United States had only the mayor-council form of municipal government. Modern urban problems such as crime, pollution, traffic control, parking problems, zoning, revenue sources and outstanding indebtedness have necessitated creating new municipal government formats.

Washington, D.C. since 1874 and Galveston, Texas since 1901 have commission governments. More than 1100 towns and cities since 1912 have adopted the city-manager plan. Cincinnati, Ohio since 1926 has worked well with a city-manager plan, I support a combination of a strong-mayor-council type of municipal government with a strong city manager. Another major problem facing us today is the proliferation of local governmental units. They provide duplica-

tion of services and very often are ineffective. United States local governmental units often have very complicating local jurisdictions.

I shall provide you gentlemen with some examples. In Philadelphia, Pennsylvania radio station WCAU is on City Line Avenue in Bala Cynwyd, yet is listed as being in Philadelphia. By being on City Line Avenue Radio Station WCAU escapes paying the Philadelphia income tax adopted in 1939. In the Deep South, there are adjacent "wet" and "dry" counties. A way to solve this problem is to adopt "regionalization" to avoid duplication of services. Interstate compacts on a regional basis can be an effective instrument. The United States federal system can and should be saved if we all try.

U.S. Commission on Civil Rights, Washington, D.C.

REVENUE SHARING PROGRAM—MINIMUM CIVIL RIGHTS REQUIREMENTS

Introduction

The adoption of a general revenue sharing program may well affect the manner in which the Federal Government carries out a number of its functions. It is imperative, however, that the program not interfere with the ability of the Government adequately to fulfill two major and closely related responsibilities. The first is the responsibility to enforce the mandate of the constitution that racial or ethnic discrimination not occur in the expenditure and the enjoyment of federal funds. The second is the responsibility to carry forward the broad national policy of securing economic and social justice for all minorities, and for the disadvantaged generally.

Revenue sharing presents both potential benefits and potential risks to the Federal Government's obligation to discharge these responsibilities. This memorandum presents an outline of *minimal* mechanisms necessary to assure that Constitutional requirements and broad national policy objectives are effectively implemented in any general revenue sharing program.

1. *Application of a Civil Rights Remedy to the Revenue Sharing Program.*—Title VI of the Civil Rights Act of 1964 provides that no person is to be subjected to discrimination under any program or activity receiving Federal financial assistance. Inasmuch as general revenue sharing is one form of Federal financial assistance, the nondiscrimination requirement of Title VI applies to any program or activity assisted by general revenue sharing funds.[1]

One of the principal sanctions available to enforce Title VI consists of administrative proceedings leading to a cut-off of Federal funds. One key question is: What programs or activities under a general revenue sharing program would be subject to the nondiscrimination requirement and, therefore, also subject to the sanction or fund cut-off?

If the Federal Government is to have an effective and practical mechanism to combat discrimination in State and local activities funded under the Federal revenue sharing program, it is necessary that earmarking of the funds be made mandatory so that the sanction of fund termination can attach solely to those programs or activities for which revenue sharing funds are designated.[2]

Commingling of revenue sharing funds with the general funds of a State would make impossible a "tracing" of Federal funds to specific programs or activities. If, therefore, the nondiscrimination requirement were to apply to any program or activity financed by the commingled funds—as it must if the requirement is not to be rendered a nullity—then it would have to apply to all funds expended by the State. While application of the Federal nondiscrimination requirement to all State and local programs or activities would have the beneficial effect of providing substantial Federal leverage toward eliminating discrimination on

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[1] S. 680 ("General Revenue Sharing Act of 1971") (Senator Baker) provides that no person shall be subject to discrimination on the ground of race, color, or national origin in any activity assisted by general revenue sharing funds. It provides sanctions for noncompliance, including referral by the Secretary of the Treasury to the Attorney General with recommendation for commencement of a civil action, and the sanctions—including fund cut-off—provided for in Title VI of the Civil Rights Act of 1964.

S. 241 ("State and Local Government Modernization Act of 1971") (Senator Humphrey) and S. 1770 ("Intergovernmental Revenue Act of 1971") (Senator Muskie) contain similar provisions; the latter bill would also empower any person adversely affected by discrimination in violation of this provision to bring a civil action to obtain relief against such discriminaton.

[2] While not reflected in the language of S. 680, the White House has indicated that it favors a requirement that all general revenue sharing funds be earmarked by the States to specific uses.

the part of these governmental bodies, the sanction of cutting off all revenue sharing funds from a State in the case of discrimination in a single program or activity probably would be too drastic for practical use.

2. *Other Federal Remedies for Noncompliance with Nondiscrimination Requirements.*—Revenue sharing represents an important new form of Federal assistance to State and local governments. It has far-reaching ramifications. Thus, it is of extreme importance that the nondiscrimination provision be one which has the maximum capability of producing compliance. Yet, experience with Title VI enforcement has demonstrated that the fund termination sanction has often proven to be too inflexible to be effective. When this factor is added to the previously mentioned problems involved in applying the fund cut-off mechanism to revenue sharing grants, it becomes clear that it is necessary to establish a comprehensive and flexible range of remedies, to be used on a selective basis.

a. *Litigation by the Attorney General*

We believe that as in the case of Title VI, litigation by the Attorney General is a useful supplement to the sanction of fund cut-off. As the Commission pointed out in its October 1970 report, "The Federal Civil Rights Enforcement Effort":

> Recipients would know that not only would Federal funds be cut off for noncompliance but litigation could be brought to bring about compliance. Thus, defiance of nondiscrimination requirements, even at the cost of losing Federal funds, would be an act of futility (at 726).

As the Commission also pointed out, however, it is undesirable to rely on litigation as a substitute for, rather than a support to, fund termination procedures.[3]

b. *Cease and Desist Order Authority*

Another useful enforcement mechanism would be that of empowering the Secretary of the Treasury to issue judicially enforceable orders directing a State or local government to cease and desist from specific discriminatory practices. Provision should be made for the judicial imposition of sanctions for noncompliance with the cease and desist order, including civil and criminal penalties. Cease and desist order authority would have the benefit of offering an effective and speedy remedy short of the drastic one of fund cut-off.

c. *Criminal Penalties*

A third sanction in addition to fund cut-off would be a provision making State or local officials guilty of deliberate acts of discrimination liable to criminal penalties. Under this sanction, government officials would be on notice that acts of discrimination would result not only in action against the State but also against those individual officials who are responsible.

d. *Private Civil Suit*

Private individuals subjected to discrimination should be empowered to initiate litigation in Federal District Court for appropriate relief,[4] including recovery of treble damages, for intentional noncompliance with Federal nondiscrimination requirements. To effectuate this remedy, which would arise after administrative remedies had been exhausted, Title VI administrative procedures should be improved so as to yield a reasoned determination on the issue of alleged discrimination within a brief period (no more than 60 days). In this way, the judicial remedy could be pursued with a minimum of confusion and delay.

3. *Strengthening the Entire Federal Civil Rights Enforcement Effort.*—In "The Federal Civil Rights Enforcement Effort" report, the Commission examined the civil rights enforcement activities of some 40 Federal departments and agencies in a wide range of subject areas, such as employment, housing, the operation of federally assisted programs, and regulated industries. In virtually all cases, the Commission found the level of civil rights enforcement seriously deficient and made a number of recommendations, including recomendations for centralized direction and coordination of civil rights enforcement in the newly formed Council on Domestic Affairs and Office of Management and Budget.

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[3] As noted above, S. 680, S. 241, and S. 1770, all authorize the sanction of fund termination for failure to comply with nondiscrimination requirements.

[4] As noted above, S. 1770 empowers any person adversely affected by discrimination in violation of this provision to bring a civil action to obtain relief against such discrimination.

In May 1971 the Commission, in a report, "The Federal Civil Rights Enforcement Effort—Seven Months Later" concluded that the Federal response to its earlier report had been, with a few exceptions, one of tentative first steps toward stringent civil rights enforcement combined with promises to do better in the future. It found that major inadequacies in the Federal effort remained and that even the implementation of rather basic proposals for improving agency performance has been characterized by inordinate delays.

If the Commission's recommendations were implemented and Federal programs were in fact operated on a nondiscriminatory basis then the present patterns of racial and ethnic exclusion and the inequitable distribution of Federal benefits would be dramatically reduced. The enforcement of present laws, executive orders and administrative policies would bring about a basic change in practices related to race in communities throughout the Nation. They would, in fact, drastically alter the way the "system" operates, assuring greater racial justice in the communities into which revenue sharing funds would flow.

Vigorous enforcement of nondiscrimination requirements concerning revenue sharing, alone, will not be sufficient. There is large-scale disenchantment, particularly among minority group members, concerning the will and capacity of government to serve their needs and a loss of faith that the "system" can work for them. We can move them toward a renewal of that faith if the full range of protections contained in existing civil rights laws are fully enforced and the rights of minority citizens are guaranteed in fact as well as in legal theory. Therefore, we continue to believe the recommendations contained in the Commission's report should be implemented as soon as possible.

4. *Assuring Equal Employment Opportunity by State and Local Governments*

a. *Amending Title VII to Cover State and Local Government Employment*

The Commission previously has urged amendment of Title VII of the Civil Rights Act of 1964 to remove the exemption accorded State and local government employment. In its report, "For All the People . . . By All the People", the Commission examined equal opportunity in public employment throughout the country—north as well as south—and reported widespread discrimination against minority group members in State, city, and suburban government employment.

The report pointed out that State and local government employees make many policy and administrative decisions which have a significant effect on the lives of the citizens within the jurisdiction. The report (at page 131) observed:

> If these decisions are to be responsive to the needs and desires of the people, then it is essential that those making them be truly representative of all segments of the population.

Since revenue sharing would serve to increase the responsibility of such governments, prior enactment of effective equal employment opportunity controls is imperative.

For the same reason, revenue sharing should not occur until effective Title VII enforcement machinery has been provided, by giving to the Equal Employment Opportunity Commission the authority, in case of violation, to issue judicially enforceable cease and desist orders.

b. *Affirmative Action by State and Local Governments*

In its study of public employment, the Commission found that the patterns of discriminatory job distribution often resulted from past practices of discrimination in hiring and job assignment. For these patterns to be eliminated, will require more than adoption of a neutral policy of nondiscrimination. State and local governments also must undertake affirmative programs of recruitment, training, and promotion of minority employees. Such affirmative action is no less vital to securing equal employment in State and local government than it is in the case of Federal agencies and Federal contractors—where affirmative action already is required by law. Given the lessening of other kinds of Federal controls in connection with revenue sharing funds, it is imperative that State and local governments, under review by an appropriate agency such as the Equal Employment Opportunity Commission or the Office of Federal Contract Compliance, be required to undertake plans of equal employment opportunity affirmative action. Such affirmative action plans should include goals and timetables for their implementation.[5]

[5] With respect to sanctions for noncompliance with affirmative action requirements, see section 2 above.

5. *The Civil Rights Responsibilities of States and Localities.*—Federal civil rights requirements, no matter how comprehensive, are unlikely to prove sufficient to provide the level of protection that is necessary to ensure that the revenue sharing funds are expended in a nondiscriminatory manner. Furthermore, States and localities must be required to demonstrate that they, as recipients of large unrestricted amounts of Federal money, can provide the type of protection which will ensure the basic civil rights of all their citizens.

Currently, few States can sustain this burden. The majority of localities and more than a dozen States have no laws comparable to the Federal civil rights acts and, in fact, the civil rights laws of those States and localities that have enacted them are severely wanting in terms of coverage, available sanctions, and level of enforcement activity. In many cases, moreover, States and localities not only have failed to provide adequate civil rights protection, but have been responsible for much of the racial discrimination that has occurred. This Commission and other Federal agencies, such as the Department of Justice, HEW, Labor, and Agriculture, have documented gross abuses of the rights of minority group citizens by State and local governmental agencies.

Thus, a mere assurance from a governor, mayor, or county official that the rights of minorities will be protected will not suffice. States and their subdivisions must, at a minimum, enact laws and ordinances which provide for their citizens the same level of protection offered by Federal statutes, executive orders, court decisions, and executive policy pronouncements. The laws must cover such areas as: housing—the law must require that all housing be offered on a nondiscriminatory basis to citizens of all races and ethnic backgrounds and that the policies of the jurisdiction be geared so as not to prevent minority group citizens from living within the jurisdiction or within any part of the jurisdiction; the administration of State and local programs—the State or locality must assure that all funds which it disperses are used free from discrimination and are in fact distributed on a racially and ethnically equitable basis. This last requirement, which is essentially the same as that provided in Title VI of the Civil Rights Act of 1964, would apply to such State and local programs as education, welfare, health care, employment services, highway and recreation facility construction, and economic development loans and grants.

Laws also are necessary in the areas of public accommodations, public facilities and voting rights. These laws must not only be broad in coverage but also must provide for effective enforcement. It is absolutely necessary that an enforcement agency be established having the power not only to investigate complaints and issue opinions, but also to conduct investigations on its own initiative, hold hearings, issue subpoenas and cease and desist orders, seek court enforcement of its orders, initiate and intervene in litigation, level civil penalties, and order the withholding, where necessary, of State and municipal funds from programs where discrimination is found.

These agencies must be fully staffed with trained, competent personnel. They must not be susceptible to domination by local political factions, but rather, should be permanent, independent agencies whose members are appointed for staggered terms of office. These agencies could be in part funded by the Federal Government, and perhaps given a quasi-Federal status, such as that of the State employment services. Furthermore, officials in all State and local agencies should be made to understand that it is their responsibility, subject to removal from office by agency directors, to ensure that their programs are not discriminatory in operation or effect.

This expanded, and in many cases new, effort by States and localities is not intended to supplant Federal civil rights activities, but rather to supplement them. Once the States and their municipalities prove their effectiveness in this area, the Federal agencies will be able to limit their efforts to a monitoring and spot-checking function. Until that time, however, the staffs of the two enforcement systems should work together so as to prevent duplication of effort and to ensure maximum utilization of information.[6]

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[6] The civil rights enforcement capabilities of a State or local government do not exist in a vacuum; they are closely tied to the overall level of proficiency of the government. S. 241 contains a requirement that, in order to qualify during the second and subsequent years of general revenue sharing, States must prepare a master plan and timetable for modernizing and revitalizing State and local governments. This could be an important contribution to strengthening the civil rights capabilities of State and local governments. It also is an important element in improving the capacity of State and local governmental entities to carry out the planning functions discussed in the following section.

6. *The State Plan Requirement.*—As another condition of eligibility for participation in revenue sharing, the State and its political subdivisions should be required to submit a "State Plan," the purpose of which would be to assure that the State is realistically facing up to the problems it has and that revenue sharing funds will be used in ways that will better enable the State to meet and overcome these problems.

The "State Plan" should, at a minimum, contain the following elements:

(*a*) A rank order of problems facing the State and its political subdivisions. This analysis would be supported by data and reports prepared by the relevant local agencies. Problems would include those in the areas of human resources, natural resources, economic development, and other general governmental concerns, but would be broken down into specifics. Thus, in the area of health care, the plan would relate to specific problems in the State and its various jurisdictions, such as prenatal care, care for the aged, hospital services, insufficient medical personnel, or insufficient funds to provide for the nutritional needs of its citizens.

(*b*) In a similarly detailed fashion, the State and its jurisdictions would be required to set forth what actions they have taken in the past to cope wth each of the problems they identify. This analysis would be both in terms of financal and manpower resources allocated.

(*c*) A statement of how State and local revenue is being apportioned in the coming fiscal year and how this apportionment of funds is calculated to overcome the problems would be given. In addition, States and localities would detail how they anticipated using the Federal revenue sharing funds which they are to receive.

(*d*) A long-range analysis of the matters set forth in points *a*, *b*, and *c* would be detailed. This section will require officials drafting the plan to spell out the broadest aspects of the problems. This requirement reflects the fact that effective action toward social change requires long term planning.

The State Plan would be submitted for review and approval to the Office of Management and Budget, which would exercise its reviewing function in conjunction with Federal departments having major program responsibilities relating to the plans. National policy criteria for such reviews should be established by the Council of Domestic Affairs.

One of the major concerns in the review process should be whether a plan takes into account the special needs of minority group members and the economically disadvantaged. Thus, it would be unacceptable if a State or political subdivision overlooked the health needs of its poor citizens while devoting considerable resources to developing a highway system which, by its nature and location, services only the more affluent sections of the population. In the past, some States and localities have participated in Federal programs on a selective basis, often refusing to participate in social welfare programs such as public housing or food assistance while accepting Federal money for suburban water and sewer facilities or recreational facilities that serve only the affluent. Revenue sharing should not be allowed to support these insensitive local policies.

Furthermore, the State Plan should be responsive to important Federal policies, such as the racial and ethnic desegregation of schools and the elimination of racial and economic polarization in metropolitan areas. The programing of States and localities should be required to reflect these Federal priorities. It must be made clear that Federal funds, whether from revenue sharing or categorical grants, cannot be used to aid in schemes which tend to discriminate against, isolate, impoverish, or perpetuate second class citizenship for any racial or ethnic group.

7. *Distribution of Funds According to Need*

a. *Distribution Among the States*

Distribution of general revenue sharing funds should be determined on the basis of indicators of need, such as the relative wealth of the State, measured by average personal income, and the number of the State's population who are "disadvantaged individuals" as defined in the U.S. Department of Labor and Manpower Program.[7]

[7] The term is defined to include: Any poor person who does not have suitable employment and who is either (1) a school dropout; (2) a member of a minority; (3) under 22 years of age; (4) over 45 years of age; (5) handicapped. U.S. Department of Labor, "Cooperative Area Manpower Planning System," Supplement No. 1, Dec. 14, 1970, at 10, n. 2.

The present Federal system of categorical grants is, in its very structure, responsive to such demonstrated domestic needs as these. Given the shortage of Federal, State, and local government funds in relation to the demands made upon them, if we are adequately to serve the needs of our many citizens who are trapped in poverty, we cannot afford to distribute any large amount of Federal revenue without reference to such fundamental determinants of need.

In its ongoing study of racial and economic polarization in metropolitan areas, the Commission has seen how lack of adequate fiscal resources has contributed to an accelerating economic and racial separation in these areas. The lack of funds to finance adequate public services causes those who can, to flee the inner cities and at the same time causes many suburban jurisdictions to use zoning and other devices to exclude the poor, who are most in need of public services. It also is such factors as these that make the State plan, described in Section 6, a necessary "civil rights" protection.

For these reasons, the distribution of the general purpose revenue sharing funds should reflect a national commitment to the special problems of the poor and of our urban areas, where the poor and the disadvantaged are heavily concentrated.[8]

b. *Distribution Within States*

A requirement that States "pass through" a proportion of general revenue sharing funds to local jurisdictions is an important safeguard in assuring that the cities receive their fair share of revenue sharing funds. For the reasons stated in our discussion of "Distribution Among the States" we believe that such a requirement should reflect the same criteria of need as recommended in that Section of this memorandum.[9]

Comments on the Interim Regulations Implementing the Revenue Sharing Act of 1972

I. CIVIL RIGHTS COMPLIANCE

One paramount civil rights problem raised by the Revenue Sharing Act of 1972 is that the financial assistance made possible under the Act may affect a broader range of State and local government activities than will the Act's requirement for nondiscrimination. State and local governments are granted wide discretion in how they will use revenue sharing funds, allowing them to choose those programs or activities to be funded with assistance provided through revenue sharing and those to be funded by other sources. The use of revenue sharing funds for a particular expenditure can free State and local funds for other uses. This type of allocation enables a State or local government to use its own funds for activities which might have a discriminatory impact,[1] such as housing and health care programs, and reserve revenue sharing funds for less controversial activities or programs such as traffic safety and pollution abatement.

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[8] S. 680, S. 241, and S. 1770 all provide that each State's share in general revenue sharing funds is a function of (a) total population of the State and (b) the State's "tax effort"— the amount of revenue it raises in relation to the total personel income earned by residents of the State.

[9] S. 680, S. 241, and S. 1770 all require the States to "pass through" a certain proportion of funds to local governments. They all permit each State, acting in conjunction with its local governments, to determine the basis for allocation among the local governments—which basis could reflect the relative need of the respective local governments.

Absent such special agreement, S. 680 and S. 241 provide that the share of each local government is to be the same as its relative contribution to overall State revenues. S. 1770 uses a more complex distribution formula, which makes the share a function of each government's contribution to State revenues, its population size, and its share of poor persons (those with incomes of less than $3,000) and of persons regularly receiving public assistance.

[1] The Revenue Sharing Act, for example, would prohibit the use of entitlements for the construction of a highway in a discriminatory fashion, e.g., a highway improperly routed through a viable minority community which would cause considerable disruption and fragmentation of that community and which by considering engineering and design standards and socioeconomic factors could be demonstrated to have been routed elsewhere. Nonetheless, the planned highway system would typically involve numerous separate and distinct projects (The Federal Aid Highway Act, as amended (23 U.S.C. 101(a)) defines a project as "an undertaking to construct a particular portion of a highway * * *." (emphasis added).) A State might avoid conflict with the Revenue Sharing Act's proscription against discrimination in the use of the Revenue Sharing funds by using nonrevenue sharing funds for that portion of the road routed through the minority community and revenue sharing funds for less controversial portions.

The Revenue Sharing Act does not provide any mechanism to expand the coverage of its civil rights provisions [2] to programs or activities which are made possible by revenue sharing entitlements but are not directly financed with those funds. The Act (Section 121) requires that each State and unit of local government which receives funds report to the Secretary of the Treasury at the end of each entitlement period the amounts and purposes for which the funds have been spent or obligated. This reporting requirement enables the identification of programs and activities in which discrimination is specifically prohibited by the Act.

A private suit may be brought to remedy any discriminatory use of State and local government funds. Experience has shown, however, that individual citizens lack thhe expertise and financial resources to effectively utilize this course of action. Further, the Federal Government cannot abdicate its constitutional obligation to ensure that discrimination does not result from its distribution of assistance.

Although Federal nondiscrimination requirements apply to many State and locally funded activities, the absence of effective enforcement of these requirements leaves many areas which are relatively "safe" from the legal mandate for nondiscrimination. To minimize the number and size of these "safe" areas, the entire Federal civil rights enforcement effort needs to be strengthened.

Closely related to the matter of how State and local governments allocate their resources is the question of how much freedom to reallocate resources will be permitted once discrimination has been demonstrated in a particular program. The Revenue Sharing Act permits fund termination where discrimination has been found and compliance is not secured. Conceivably a State or local govermemnt might withdraw revenue sharing funds from the offending program, reallocate them to a less sensitive program and never suffer the consequences of the sanctions which should be imposed for noncompliance.

The regulations should prohibit the reallocation of revenue sharing funds once *prima facie* evidence of discrimination has been given, including receipt of a nonfrivolous compliant. The regulations should also require that in the event that sanctions are imposed upon a State or locality for discrimination in a particular program, the revenue sharing entitlement will be reduced by the amount previously allocated to that program until correction of the violation, again permitting no reallocation of funds.

A. Compliance responsibilities

The interim regulations (Section 51.41) place responsibility upon the Secretary of the Treasury for providing for such auditing, examination, evaluation, and review as may be necessary to insure that expenditures of entitlement funds comply with the Act and the implementing regulations.[3] Revenue sharing funds, however, will be spent for a variety of programs and it is unreasonable to expect a single agency, the Department of the Treasury, to be equipped to conduct thorough compliance reviews in the spectrum of activities covered. Further, since there are Federal agencies currently responsible for compliance activity in particular areas, it would be duplicative to establish a broad compliance capability within the Department of the Treasury. Therefore, responsibiilty for compliance review and complaint investigation under the Revenue Sharing Act should be delegated to Federal agencies with potential capability for effecting compliance with civil rights requirements in particular substantive areas, such as housing, health, and social services.

The Department of the Treasury should coordinate and oversee the activities of those agencies in which it vests compliance responsibility. It would thus relate to the agencies in a manner similar to that in which the Office of Federal Contract Compliance (Department of Labor) does to the agencies to which it has delegated authority. It is essential that the Department maintain ultimate responsibility for terminating revenue sharing assistance and for conducting compliance reviews so that if any of its delegates fail to fulfill their duties the Department may act to ensure compliance.

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[2] The Revenue Sharing Act of 1972 (section 122) states: No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any activity funded in whole or in part with * * * [revenue sharing funds].

[3] While this provision is listed under Fiscal Procedures and Auditing, there is no separate mention of responsibility for conducting reviews to determine compliance with the prohibitions against discrimination. It is thus assumed that such responsibility is thereby assigned to the Secretary of the Treasury.

Within 60 days of the issuance of final regulations, the Department of the Treasury should sign an agreement with agencies having major Title VI programs, assigning responsibility for compliance activities in particular areas to the agencies whose programs most closely relate to those areas. To ensure total coverage, the Department of the Treasury should assume responsibiilty for the category of miscellaneous programs which cannot easily be assigned to one of the agencies with substantive program responsibilities because, for example, they are not now federally funded. The agencies involved in the agreement should, in turn, within 60 days of signing the agreement publish regulations detailing their compliance program and the obligations of their recipients.

The regulations should be similar to the Department of Transportation regulations implementing Title VI of the Civil Rights Act of 1964 (49 C.F.R. 21, 1970). The Commission has previously commented upon deficiencies in agency Title VI regulations.[4] (See, for example, letter from John A. Buggs, then Staff Director-designate of the Commission to David L. Norman, Assistant Attorney General, January 12, 1972, Attachment A).[5] Agency regulations implementing the Revenue Sharing Act should describe the types of discrimination prohibited. This is particularly important for the Department of the Treasury's regulations. These regulations would cover compliance responsibility for miscellaneous program activities. These, in general, are areas in which discrimination has not yet been defined. The regulations should also set forth specific compliance reporting requirements. They should include the collection of data on race, ethnic origin, and sex of beneficiaries and potential beneficiaries. In this connection, recipients should be required to use the data to determine whether minority needs are being met by their programs. Goals and timetables should be set for the correction of assistance distribution patterns which have a disproportionately adverse impact on minorities. The regulations should further outline the specifications of a pre-approval and post award mechanism which periodically subjects a percentage of State and local government agencies to scrutiny, and procedures for complaint investigations and hearings.

For all other local government violations of the Revenue Sharing Act and its regulations, however, the Secretary is to deal directly with the noncomplying local government. This approach has advantages since in many cases the Governor has little control over the actions of the local government. The regulations should be revised to direct the Secretary to notify simultaneously the chief official of an offending local government and the Governor of the State in which the government is located and to hold both officials responsible for securing compliance.

To ensure that the Governor or chief of a local government can fulfill this role, he or she should be required to file with the Department of the Treasury a description of the agency or unit within the State or local government assigned to handle that responsibility. That submittal should set forth the relevant responsibilities of the agency or unit, its size, budget, and structure, and the qualifications of its principal officials in terms of equal opportunity training and experience. A logcal place for such responsibility is with State or local human rights agencies, but few of them have the authority to ensure nondiscrimination in local, State and federally funded programs. States and local governments, therefore, should be encouraged to amend their laws to provide such a mandate.

B. Employment

Title VI does not cover discrimination in employment except where a primary objective of the Federal financial assistance is to provide employment.[6] The Revenue Sharing Act's proscription against discrimination, however, does not

[4] Currently, the civil rights provisions of interim regulations (section 51.32) do little more than repeat those outlined in the Revenue Sharing Act and set forth limitations on the use of remedies allowed.

[5] Deficiencies in the Title VI regulations were also identified in a letter from Harold C. Fleming, Chairman, Program Coordination Task Force, Leadership Conference on Civil Rights to David L. Norman, Assistant Attorney General, Jan. 7, 1972 (Attachment B). Also attached is a letter from Richard T. Seymour, Staff Attorney, Washington Research Project to David L. Norman, Assistant Attorney General, Feb. 4, 1972, discussing the unreasonably short time limits imposed for filing Title VI complaints and the denial to complainants of the opportunity to participate as parties in Title VI enforcement hearings. (Attachment C.)

[6] Title VI of the Civil Rights Act of 1964 states: "Nothing contained in this title shall be construed to authorize action under this title by any department or agency with respect to any employment practice of any employer employment agency, or labor organization except where a primary objective of the Federal financial assistance is to provide employment."

exclude employment from its coverage. The resulting prohibition against employment discrimination is particularly significant because of the possibilility of reallocation of revenue sharing funds which would operate to the detriment of minorities and women. Removal of the obstacles faced by minorities and women in State and local government employment will provide greater opportunities for them to be represented in the process of planning for the expenditure of revenue sharing funds. It is essential that the implementing regulations provide for the timely issuance of regulations defining the ambit of this requirement.

The implementing regulations contain no specific provisions for compliance with the requirements for nondiscrimination in State and local government employment. Nondiscrimination in State and local government employment is also prohibited by Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972. Under the joint authority of the two Acts, the following should be required for all State and local government units receiving revenue sharing funds:

1. Data on the race and ethnic origin of employees. The format of the data required should be similar to that used for data required by the Equal Employment Opportunity Commission of private employers.

2. Affirmative action plans. The specifications for those plans should be outlined in regulations and should be similar to those set forth in "Revised Order Number 4" issued by the Office of Federal Contract Compliance of the Department of Labor (41 C.F.R. 60). Each unit covered should be required to conduct a study to determine if there is presently an underutilization of minorities, and if so, the reasons. The unit should be required to set goals and timetables to correct any deficiencies.

3. Reviews of employment practices. These should be routinely conducted by the Federal agencies with compliance responsibilities under the Act.[7] The reviews might be conducted in addition to, or as a part of, compliance reviews on program delivery.

To accomplish this program, the Equal Employment Opportunity Commission (EEOC) should serve in an advisory capacity to the Department of the Treasury and Federal agencies with compliance responsibility in particular program areas. As in the enforcement of nondiscrimination in program delivery, the Department of the Treasury should assume the leadership role. It should issue regulations informing all cooperating agencies of their obligations in this area and of the standards which should be employed in reviewing State and local governments.[8]

It is important that the present activities of the EEOC be supplemented with regard to State and local government employment for a number of reasons. First, the EEOC has a large backlog of complaints and as a result cannot effectively undertake a new enforcement effort at this time. It has not, for example, 10 months after it received jurisdiction over State and local governments, devised a form for collecting data on their employment practices. Second, not only is the EEOC complaint oriented, but even in cases where it finds a State or local government guilty of discrimination it must refer the matter to the Department of Justice for the initiation of a law suit. Yet the Department's staff and its capability to file a large number of suits are liimted. Third, employment, discrimination by recipients of Federal assistance often results in discrimination against minority and female potential beneficiaries. Since it is important to the success of Federal programs that State and local governments be equal opportunity employers, the Federal agencies should themselves ensure that compliance with this provision is promptly achieved.

C. Procedures for effecting compliance

The procedures set forth in the implementing regulations for effecting compliance with the nondiscrimination provisions of the Act are weak, and in fact are less comprehensive than the procedures set forth in the regulations for effecting compliance with other provisions of the Act.[9] For noncompliance with most of the provisions of the Act, corrective action must be taken by the recipient govern-

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[7] See section I, A, *infra*, for the Commission's recommendation concerning the role which should be played by Federal agencies in a program of civil rights compliance under the Revenue Sharing Act.

[8] Assignment of responsibilities for particular State and local agencies should be made by the Department of the Treasury so as to avoid overlap in Federal agency activities. Each Federal agency should be apprised by the Department of the Treasury of the assignments given to other Federal agencies.

[9] These would include procedures for effecting compliance with requirements for such matters as recordkeeping and setting wage rates.

ment within 60 days of notification of its improper acts. In contrast, State and local governments are permitted a "reasonable length of time" to correct civil rights violations. No definition of what constitutes "reasonable" is provided. The Commission's experience indicates that this vague term permits negotiations to continue indefinitely while the noncompliance continues.

The section of the regulations relating to nondiscrimination should be amended to require the Secretary to initiate sanction actions if the recipient government has not commenced corrective action within 60 days of notification of noncompliance. The objectionable activities of the government should be totally eradicated within four months of such notification. In the event a recipient government refuses to negotiate, the Secretary of the Treasury should be required to initiate action to terminate funds within 30 days of that refusal.

A more serious discrepancy exists between the sanctions prescribed for noncompliance with the nondiscrimination procedure and those set forth for violations of other requirements of the Act. For noncompliance with most provisions the Secretary is required to withhold all subsequent payments until compliance is achieved. In the case of a finding of discrimination, fund termination is limited to those funds involved in the offending program or activity.

The remedies available to the Federal Government should be flexible. Not only does relying solely on fund termination encourage reallocation but agencies have indicated a distinct disinclination to utilize this enforcement tool where it has been available. Other remedies should be provided to enforce the nondiscrimination provision. The Revenue Sharing Act requires the repayment of 110 percent of the misused funds when a local government uses entitlement funds for other than priority expenditures,[10] whereas no such provision is made for violation of the nondiscrimination mandate of the Act. This is another example of the fact that the Act provides for greater leniency in the enforcement of discrimination than in its other requirements. The Act should be amended to make the penalties for discrimination as strong as all other violations.

In addition, the regulations should recognize the authority of the Federal Government to defer funding when a serious question exists as to the compliance status of a prospective recipient. A further step available to Federal officials is to impose detailed additional reporting and monitoring requirements on recipients where there is reason to believe that noncompliance exists.

II. ADMINISTRATIVE PROVISIONS

In addition to establishing more thorough procedures for effecting compliance with the nondiscrimination provision, there are a number of instances in which administrative provisions in the regulations could be elaborated upon to provide greater protection for minorities and women.

A. Publication of reports

The implementing regulations (Section 51.10) provide inadequate direction to insure that public reports issued under the Revenue Sharing Act will be given general circulation in minority communities.[11] Because minorities have traditionally failed to receive Federal assistance in the same quantity and quality as nonminorities and because the brunt of negative effects of Federal projects has frequently been disproportionately borne by minority citizens, it is essential that they receive full information about activities funded by revenue sharing.

Federal agencies are beginning to recognize that too often a newspaper with wide circulation will not adequately reach minorities. For example, newspapers with general circulation are usually printed in English and thus are not read by persons of other language groups. Many Chinese, Japanese, Portuguese, Puerto Ricans, Mexican Americans and native Americans fall into this category.

HUD, in its affirmative marketing regulations, strongly suggests that builders and developers publicize the availability of housing opportunities "through the type of media customarily utilized by the applicant, including minority publications. . . ."[12] The Veterans' Administration has a similar requirement in its program for the sale of acquired properties.[13]

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[10] Priority expenditures are defined in the Act as those maintenance and operating expenses set forth in the Act as allowable and ordinary and necessary capital expenditures authorized by law.

[11] The Act requires that State and local governments publish a copy of each report of the planned and actual use of funds in a newspaper within the State and with general circulation within the geographic area of that government.

[12] 24 C.F.R. 200.620.

[13] Department of Veterans Benefits Circular 26-72-31, July 21, 1972.

It is incumbent upon the Federal Government and upon State and local governments to ensure that provisions are made for adequate circulation of revenue sharing reports to minorities. The Revenue Sharing Act's implementing regulations should therefore define "general circulation" to include both minority and majority groups and indicate that publication in the minority press is an essential means of meeting the goal of general circulation.

B. Population counts

The Act (Section 109) states that population, established in the Act as a key variable in determining the size of the entitlement to State and units of local government, shall be determined on the same basis as resident population is determined by the Bureau of the Census for general statistical purposes. In addition, it states that where the Secretary determines that Census data are not current or comprehensive enough to provide for equitable allocations, he may use such additional data, including data based on estimates, as may be provided for in regulations.

While this provision indicates awareness of some inaccuracies in Census data, the Commission emphasizes that the counting of minority citizens has posed a particular problem.[14] To the extent that a particular jurisdiction is heavily populated with minority citizens, undercounts of minorities might result in insufficient revenue sharing entitlements to those areas.[15]

The Secretary of the Treasury should consult with the Director of the Bureau of the Census concerning the accuracy of 1970 Census data on minority citizens. Among the issues which should be considered are the steps taken to validate counts of minorities and to provide corrected figures where necessary. The Secretary should then determine what regulations regarding the use of additional data are required.

C. Indian tribes

The Act (Section 108 (b) (4)) states that entitlements shall be granted to those Indian tribes and Alaskan natives villages which have a "recognized governing body which performs substantial governmental functions."

There is no single process by which Indian tribes are recognized. No Federal statute of tribal recognition exists. Recognition depends upon the source of the services, benefits, or administrative action involved. There are a myriad of ways in which a tribe might be deemed to be "recognized," for example, as party to a treaty with the Federal Government, by mention in any Congressional legislation or Executive Order, or as the recipient of any Federal funding or any Federal programs. Furthermore, a tribe may be recognized by a State government but not the Federal Government.

The governing functions of tribes vary widely. The only governmental functions served by Oklahoma tribes, for example, involve the administration of tribal resources; those tribal councils serve very much as corporate boards of directors. The Navajo Nation, on the other hand, is as all encompassing and complex a governmental unit as many States, and includes a judicial, executive, and legislative branch.

The Revenue Sharing Act does not specifically provide for the recognition of Indian tribes by the Secretary of the Treasury and the language of the Act is ambiguous as to which Indian tribes will be recipients of its assistance. The Secretary should, therefore, determine how Indian tribes entitled to consideration under the Act should be defined. In order to fulfill this responsibility the Department of the Treasury should study the matter of American Indian recognition.

Using the results of such a study, Section 51.2 (h) of the regulations should be amended to define recognized Indian tribes and to provide that tribal governing bodies not yet recognized by the Department of the Interior or State governments may be recognized, for the purposes of this Act, when they submit documentation that they provide appropriate governmental services.

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[14] In conjunction with a report on racial and ethnic data collection to be published by the Commission in January 1973, evidence of miscounts was presented by Native Americans, Mexican-Americans, Puerto Ricans, Asian-Americans, and blacks. Inaccuracies in the 1970 Census are also discussed in *Report on Accuracy of the 1970 Census Enumeration*; Subcomm. on Census and Statistics of the Comm. on Post Office and Civil Service, H.R. Report No. 91–1777, 91st Cong., 2d sess., 1970.

[15] To the extent that jurisdictions might base decisions concerning the use of revenue sharing funds upon counts of their minority populations, undercounts of minorities could have serious consequences in the use of revenue sharing funds throughout the country.

D. Priority expenditures

Funds received by units of local government under Title I of the Revenue Sharing Act may be used only for priority expenditures (Section 103). Included in the activities named in the Act as priority are "ordinary and necessary maintenance and operating expenses for . . . public safety (including law enforcement . . .)." The regulations should make clear that civil rights enforcement activities, such as the activities of a local human relations commission charged with enforcing a local civil rights law, are included in this category.

E. Definitions of "program" and "activity"

The Revenue Sharing Act (Section 122a) expressly prohibits discrimination in "any program or activity funded in whole or in part with entitlement funds. . . ."The interim regulations provide no definition of "program" or "activity" and thus do not make clear whether they are to be broadly defined, as for example, the entire urban renewal effort of a metropolitan area, or are to be narrowly defined, as for example, the construction of a hospital.

Expenditures of Federal revenue sharing funds will not be tied to the categories of assistance by which grants-in-aid are issued. Without adequate instruction to the contrary, recipients of revenue sharing funds might substantially narrow the use of the terms "program" and "activity," limiting the applicability of the nondiscrimination provision. The regulations should therefore indicate that the definition of a program for the purposes of the Revenue Sharing Act will be the same as the definition utilized under Title VI.

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[Appendix 2, National Anti-Poverty Plan, Fiscal Years 1968–72, Office of Economic Opportunity, follows as part II of hearings]

A NEW FEDERALISM

HEARINGS

BEFORE THE

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION

ON THE

IMPACT OF THE PRESIDENT'S PROPOSALS FOR A NEW FEDERALISM ON THE RELATIONSHIPS BETWEEN THE FEDERAL GOVERNMENT AND STATE AND LOCAL GOVERNMENTS

Part II

FEBRUARY 21, 23, 27, 28, AND MARCH 8, 14, 15, 1973

APPENDIX 2

NATIONAL ANTI-POVERTY PLAN, FISCAL YEARS 1968–72, OFFICE OF ECONOMIC OPPORTUNITY

Printed for the use of the Committee on Government Operations

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OFFICE OF ECONOMIC OPPORTUNITY

NATIONAL ANTI-POVERTY PLAN

FY 1968-FY 1972

JUNE 1966

ADMINISTRATIVELY CONFIDENTIAL

Excerpt from BOB Circular A-10 with respect to restrictions on disclosure of agency estimates:

> "All budget estimates and supporting materials submitted to the Bureau of the Budget are privileged communications. Their confidential nature must be maintained, ... The head of each agency is responsible for preventing disclosure of information contained in such estimates and material ...."

ADMINISTRATIVELY CONFIDENTIAL

LETTER OF TRANSMITTAL

OFFICE OF ECONOMIC
OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

June 30, 1966

MEMORANDUM TO: Honorable Charles L. Schultze
Director, Bureau of the Budget

From: Sargent Shriver Sargent Shriver
Director, Office of Economic Opportunity

Subject: National Anti-Poverty Plan

The attached National Anti-Poverty Plan for Fiscal 1968-1972 takes as its explicit goal ending poverty in the United States as we now define it by ten years from now--by 1976.

It is, of course, "possible" to end poverty at any moment we are willing to put up the resources to guarantee income at the poverty level. This is <u>not</u> the approach taken by this plan. An income maintenance program which over the long run substitutes an incentive system for the present welfare structure is among the instruments proposed in this plan, and it is a necessary instrument for the final removal of those persons from poverty who cannot be reached by opportunity. The plan as a whole, however, depends more on economic growth, and on opportunity programs to maximize the anti-poverty effect of that growth, than it does on income maintenance.

We have programmed the effects of our recommendations out to 1972 as is required by the Planning, Programming and Budgeting System. Our estimate is that the current incidence of poverty--one in six Americans--applied to the 1972 population would mean that there would be 35.8 million poor people in the United States.

We estimate that economic growth unaided will reduce the actual number by 7.3 million to 28.5 million.

We further estimate that another eight million will be removed from poverty by 1972 by the use of the whole set of opportunity programs proposed in this plan. These programs would be administered by this office and other Federal Agencies and are designed to work together with economic growth.

Finally, another eight million people could be removed by a phased income maintenance program.

The 12.5 million people remaining in poverty in 1972 would be taken above the line in the next four years.

The costs of this proposed program are not trivial, but they are surprisingly modest. Building on the $24 billion base estimated by the Bureau of the Budget for fiscal 1967 anti-poverty expenditures, they would add in fiscal 1968, $6.4 billion for all Federal anti-poverty programs, which is less than the expected increase of Federal tax revenues from fiscal 1967-1968. The successive increments after 1968 would be substantially smaller--$3 billion from 1968-1969 and smaller amounts each year thereafter.

I believe that at these costs we could achieve the realistic goal of ending poverty by 1976. I further believe that this country can afford to adopt this goal, and that it should do so.

Attachments

INTRODUCTION

Last year the Office of Economic Opportunity presented to the Bureau of the Budget and to the President a four-year plan for OEO and the War on Poverty commencing with fiscal year 1967. The total increase in anti-poverty spending requested for fiscal 1967 was for slightly over $9 billion; the total request for OEO programs as such was almost $4 billion. This was the first such submission by any civilian agency of the Government. In the late fall the request was cut substantially in order to meet the constraints of the total Federal Budget, including Vietnam. OEO was cut to $1.75 billion, and most of the other proposals were rejected.

For fiscal 1968 we are again presenting a substantial request, prepared under somewhat different conditions. We are requesting for the War on Poverty as a whole a $6.4 billion increase over fiscal 1967, making a total of about $30 billion. Of the $30 billion, $3.6 billion is for the fiscal 1968 OEO budget. The major differences between our fiscal 1967 and 1968 plans are:

--First, the fact that this year we are operating under and projecting a tight, high employment economy, whereas last year, we assumed continuation of the high unemployment economy that existed in the summer of 1965. We do,however,have additional programs to propose in case the economy again loosens and unemployment rises above the four percent level.

--Second, last year we had no program results to evaluate. This year, preliminary evaluations are coming in and they affect our program requests.

--Finally, last year we simply did not have time to take a thorough look at other government programs affecting poverty. This year we have.

Last year we presented a plan which stressed three major programs, one in each of our then current program categories. In the Job category we stressed a large-scale Public Employment Program. In the category of Social Programs we stressed Community Action. In the category of Transfer Payments, we stressed the Negative Income Tax.

This year we have changed our program categories to more precisely express our objectives. Our program categories are: Employment, Individual Improvement, Community Support, Income Maintenance, Basic Poverty Research, and General Support. It is worth reviewing the categories of Employment, Individual Improvement, Community Support, and Income Maintenance and their relationships to one another.

The first of these is Employment. Jobs for those of the poor who are capable of gainful work are at the center of the War on Poverty, both in the short and long-run. In the short-run, jobs can take more people and families out of poverty than any other single proposed program category. Also in the short-run, jobs for the heads of families are essential to the families' self respect and are necessary for the success of all the other programs trying to change the underlying causes of poverty. In the long-run, jobs are by definition central to a program of Economic Opportunity. Economic Opportunity in the United States today is the opportunity to take a gainful and useful job. Without sufficient jobs, all the other programs of the War would be unsuccessful. In the long-run, even Head Start would fail if a dozen and more years from now

there were not jobs for those whose school careers were started by our current programs.

Individual Improvement gets at what is probably the major root cause of the current poverty in the United States. One major reason why teenagers walk the streets is the lack of schooling and the poor schooling provided by many parts of the American school system. This is also why many teenagers of previous years have become the poor adults of today. Just as jobs are necessary to the success of our War, vastly improved educational opportunity is necessary to fundamental change that will make victory in the War stick. Only if today's youth can be saved from the educational deficiencies of the past can the War be won and stay won. Only through programs of adult education can the sins of the past be remedied and can school programs for children be reinforced in the home.

Community Support corrects the many facets of the environment of poverty which prevent the easy success of education and job programs. If the services available in poor neighborhoods are delivered in haphazard, uncoordinated and demeaning ways, then they will never effectively reach the people. If the poor cannot obtain decent health care then many of the adults will be unable to work; many of the children will be unable to learn. If housing is deteriorating it becomes more difficult to take advantage of opportunity; if housing is segregated it is a visible symbol of the lack of equal opportunity. If the poor are unable to limit their families to the size they desire, then even decent jobs will not bring them above the poverty line. If justice is not available to the poor, they will be unable to break out of poverty within our society and system of laws.

Finally, Income Maintenance programs are necessary because for many of today's poor neither a job nor education, etc., will move them out of poverty. Many of the poor are too old to take advantage of opportunity or are disabled or are in families too big to be brought above the poverty line by opportunity programs. Many others of the poor could take advantage of educational and other training opportunities could they but get a little money for family support. Current income maintenance programs delivered through the 50 state welfare systems are uniform in only one aspect; they are demeaning and degrading. We believe that the time is coming when the American people will accept a guaranteed minimum income at the poverty level as a right in a wealthy country and we propose to start moving in this direction now.

In this context, we present our major national program recommendations for the period starting in fiscal 1968.

In the Manpower field, the changing economy has meant that we no longer stress the Public Employment Program. Although we propose to continue a small program in geographic areas not reached by general prosperity, and to stand by in case the economy slacks off, the current tight job market necessitates a shift of emphasis from public to private employment. Sufficient private jobs for the poor cannot be created at non-inflationary economic levels without major training and other Manpower programs. We propose in fiscal 1968 to commence such programs on a large scale. A shockingly small portion of the training needs of the poor, particularly the adult poor, are being met by the current programs and by those projected for fiscal 1967. Of all the necessities of the War on

Poverty, jobs for the poor have the highest priority and in a prosperous economy, major Manpower programs can both improve fundamentally the current conditions of the poor--the underemployed as well as the unemployed--and better enable them to face any future down-turn. Although the programs we propose have a large OEO component, the bulk of them will be administered by the Labor Department.

In the category of Individual Improvement, our major emphasis is on Head Start and Parent Education. Here is where our evaluation has helped us most. Although no overall evaluation of both summer and full-year Head Start has been completed yet, all the evidence we have, particularly on the summer program, points to substantial success in improving the school performance of young children in the cognitive and behavioral areas. For this reason we propose to continue to increase the Head Start program. We recommend that the Office of Education leave the pre-school field to Head Start, and that OE emphasize follow-up in the early school years. Associated with Head Start in the educational category we propose a major new program of basic education for the parents of Head Start children as well as basic education tied to vocational training. Such a program is needed in order to make our favorable results of Head Start stick. A child is part of a family, and only by improving the education and the life of that family can the child's education be fully effective.

In the category of Community Support, our major weapon remains Community Action. Last year we proposed two principles for the operation of Community Action programs -- concerting of services through CAP, and concentration of services in the areas of highest incidence of poverty. CAP has been moving in both of these directions. This year

we add to these principles a third--catalysis. This is the principle that Community Action programs should make a primary function the moving of much larger sums of Federal, State and local money available to the poor areas and the alteration of the manner in which existing services are delivered. Our emphasis on this principle has frankly been caused by our experience in proposing a large fiscal 1967 budget for direct CAP delivery of services and our failure to obtain this budget. Given highly constrained budgets, Community Action can only be successful if it can move large funds over which it has no direct control. This, however, can only be done if CAP has more muscle itself in the form of substantial funds as is proposed here.

In addition, under the category of Community Support, we reemphasize a major proposal we made last year, and we present one major new proposal on the basis of analysis done this year. The repeated proposal is for a major program of housing rehabilitation and construction for the poor. The new one is for food programs for children and pregnant mothers--an expanded school lunch program for those in school and a reorientation of the Food Stamp Program toward pre-school children and pregnant mothers. Indications from Head Start and other sources all point to the conclusion that bad pre-natal care and child nutrition is a major cause for deficiencies which lead to low educational capabilities and future poverty. This program would not be administered by OEO.

Finally, in the Income Maintenance category we have followed the logic of our last year's proposal for an average 50 percent Negative Income Tax and developed it into a phased proposal which ten years from now would establish a basic income guarantee which would remove all Americans from poverty. This would establish a right to live in decency which we believe should be established and which our economy can well afford. It would not substitute for opportunity programs; by 1976, opportunity programs should be successful enough that they will establish those who can provide for themselves above the poverty level--well above this level. It is constructed and phased in a way which would preserve the incentive to work for those who can work. Rather than substituting for work incentives, it would substitute for the demeaning programs now lumped together under the head of Public Assistance. Although in the short-run we propose to preserve the Public Assistance System for its present recipients, we have additional immediate proposals which would ameliorate some of its worst features, although they would not get rid of some of its basic defects.

These proposals and others we make add up to a very large sum of money. They would, if adopted, end poverty in the United States as we define it today by 1976, 200 years from the declaration that the pursuit of happiness is among the inalienable rights of Americans. They would end poverty not merely by providing enough money to take all Americans out of poverty--although this is part of the program--but by putting into economic opportunity programs all of the monies needed to correct the

basic short and long-run deficiencies which cause poverty. These deficiencies--lack of jobs and job training, lack of education, and the environment of poverty--cannot be changed by eye-dropper methods.

But if our budgets for 1968 and beyond are constrained below the maximum levels proposed here, we suggest an ordering of budget cuts based on cost-effectiveness principles with those programs least cost-effective in speeding victory over poverty being dropped first. The first two alternative budgets presented at the end of this submission are governed by two major principles for constraint.

1. Within the Office of Economic Opportunity portion of the War on Poverty Budget, the services delivered by Community Action Programs are cut back to the point where their major effect is through catalytic action on other funds and services available to the poor. This at least preserves the essential catalytic function of CAP although it makes the function more difficult to carry out because of the lack of "money muscle."

2. Within the total War on Poverty budget, two things must be preserved as being not merely cost-effective in a relative sense, but necessary for any real progress against poverty. These are CAP as a catalyst and a large-scale manpower program. The total War on Poverty budget is reduced by removing the least essential programs first. But these two programs are retained even after the reductions.

If in the balancing of national objectives the funds are not available for the programs needed for most rapid progress, what remains in our constrained budget would at least make ultimate victory possible and serve the hopes of the poor for ultimate justice and equality. We must make clear, however, that the basic levels we propose are not put forth as a paper exercise. The roughly $6.4 billion increase we recommend for War on Poverty programs in a prosperous economy is less than the normal annual increase in Federal tax revenues in such an economy (and this '67-'68 change is the largest single annual increment in our 5-year program). The roughly $30 billion total we request for War on Poverty programs is less than five percent of Gross National Product. (If the economy were to turn less prosperous, we should suggest further expenditures, detailed at the end of this program document.)

These are all modest figures, carefully built up, program by program. They would provide a real start on ending poverty in the United States. Our alternative reduced budget would provide a slower start. It cannot be honestly said that current funding levels have provided more than the necessary conditions for beginning.

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SUMMARY TABLES

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			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOL
I. EMPLOYMENT				$ 808		$ 1048		$ 2183		$ 2462		$ 2587		$ 2568		$ 2
A. Job Creation Assistance				15		83		114		135		152		167		
B. Job Training Assistance				630		731		1683		1929		2084		2075		2
C. Job Search Assistance				--		--		68		68		68		68		
D. Empl. Coordination Assist.				35		36		100		100		75		50		
E. Research and Demonstration				10		20		40		52		30		30		
F. All Other Fed. Programs				118		178		178		178		178		178		
II. INDIVIDUAL IMPROVEMENT				$ 1969		$ 2239		$ 3702		$ 4439		$ 5173		$ 5396		$
A. Preschool Children (3-5)				196		324		548		860		977		886		
B. In-School Children & Youth (5-21)				1210		1312		2393		2703		3218		3399		3
C. Adults (18-59)				66		90		212		323		425		558		
D. Research and Demonstration				18		18		54		58		58		58		
E. All Other Fed. Programs				479		495		495		495		495		495		
III. COMMUNITY SUPPORT				$ 4555		$ 6338		$ 7285		$ 8358		$ 9501		$ 10426		$ 11
A. Concerted Servs. Asst.				82		115		257		340		350		370		
B. Health Assistance				20		43		137		241		484		666		
C. Housing Assistance				188		193		375		771		1197		1621		2
D. Legal Assistance				25		28		87		123		168		171		
E. Loan Assistance				38		33		25		36		43		51		
F. Nutritional Assistance				504		530		698		1024		1350		1676		1
G. Comm. Servs. Supp. Asst.				63		59		135		173		190		204		
H. Other Soc. & Econ. Asst.				40		42		36		42		51		56		
I. Research and Demonstration				55		74		314		387		447		390		
J. All Other Fed. Programs				3539		5221		5221		5221		5221		5221		
IV. INCOME MAINTENANCE				$ 12944		$ 14298		$ 17198		$ 18223		$ 18948		$ 19898		$ 1
A. Negative Income Tax				--		--		3300		4750		6225		7925		
B. Public Assistance				2523		2541		2141		1716		966		216		
C. All Other Fed. Programs				10421		11757		11757		11757		11757		11757		11
V. BASIC POVERTY RESEARCH				$ 5		$ 10		$ 32		$ 19		$ 18		$ 19		$
VI. GENERAL SUPPORT				$ 12		$ 17		$ 31		$ 40		$ 45		$ 45		$
Draft Rejectees				5		5		5		5		5		5		
TOTAL				$ 20298		$ 23955		$ 30436		$ 33546		$ 36277		$ 38357		$ 4
OEO PROGRAMS				1455		1750		3620		4897		5943		6330		6
Non-OEO Programs				18843		22205		26816		28649		30334		32027		34

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PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966 UNITS	FY 1966 DOLLARS	FY 1967 UNITS	FY 1967 DOLLARS	FY 1968 UNITS	FY 1968 DOLLARS	FY 1969 UNITS	FY 1969 DOLLARS	FY 1970 UNITS	FY 1970 DOLLARS	FY 1971 UNITS	FY 1971 DOLLARS	FY 1972 UNITS	FY 1972 DOLL
I. EMPLOYMENT				$ 808		$ 1048		$ 2183		$ 2462		$ 2587		$ 2568		$ 27.
A. JOB CREATION ASSISTANCE				$ 15		$ 83		$ 114		$ 135		$ 152		$ 167		$ 16
1. Public Empl. Program	CAP	Jobs	--	10	31	73	35	104	40	125	45	142	50	157	50	1.
2. Foster Grandparents	CAP	Jobs	3	5	5	10	5	10	5	10	5	10	5	10	5	
3. CAP Subprof. Employment	CAP	Man/Years	(54)	--	(62)	--	(104)	--	(136)	--	(152)	--	(183)	--	(198)	
B. JOB TRAINING ASSISTANCE				$ 630		$ 731		$ 1683		$ 1929		$ 2084		$ 2075		$ 22
1. Manpower Dev. & Trng.	Labor	# Trained	80	109	165	208	425	660	425	660	425	660	425	660	425	6
2. Adult Work Training	AWT	# Trained	--	--	--	--	80	199	104	270	128	331	128	331	128	3
3. Rural Adult Program	RAP	# Trained	--	--	--	--	50	163	80	287	100	373	120	430	160	5
4. Job Corps	Job Cps.	# Trained	38	310	52	221	63	383	63	338	63	338	63	338	63	3
5. NYC Out-of-School	NYC	# Trained	95	99	102	142	104	278	134	374	--	--	--	--	--	-
6. Nat'l Youth Trng. Prog.	NYT	# Trained	--	--	--	--	--	--	--	--	128	382	113	316	113	3
7. Work Experience Program	Wk. Exp.	# Enrollees	81	112	105	160	--	--	--	--	--	--	--	--	--	-
C. JOB SEARCH ASSISTANCE				$ --		$ --		$ 68		$ 68		$ 68		$ 68		$
1. U.S. Employment Service	Labor	# Served	--	--	--	--	--	--	--	--	--	--	--	--	--	-
2. Labor Mobility Program	Labor	# Moves	--	--	--	--	120	68	120	68	120	68	120	68	120	
D. EMPLOY. COORDINATION ASST.				$ 35		$ 36		$ 100		$ 100		$ 75		$ 50		$
1. CAP Comp. Manpower Prog.	CAP	# Served	70	35	72	36	200	100	200	100	150	75	100	50	100	
2. Manpower Trng. Centers	Labor		--	--	--	--	--	--	--	--	--	--	--	--	--	-
E. RESEARCH AND DEMONSTRATION				$ 10		$ 20		$ 40		$ 52		$ 30		$ 30		$
1. Job Corps	Job Cps.		--	--	--	7	5	23	7	35	--	13	--	13	--	
2. Neighborhood Youth Corps	NYC		--	--	--	--	--	2	--	2	--	--	--	--	--	-
3. Nat'l Youth Trng. Prog.	NYT		--	--	--	--	--	--	--	--	--	2	--	2	--	
4. Community Action Program	CAP		--	10	--	13	--	15	--	15	--	15	--	15	--	
F. ALL OTHER FEDERAL PROGRAMS				$ 118		$ 178		$ 178		$ 178		$ 178		$ 178		$ 1

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			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
II. INDIVIDUAL IMPROVEMENT				$ 1969		$ 2239		$ 3702		$ 4439		$ 5173		$ 5396		$ 5717
A. PRESCHOOL CHILDREN (3-5)				$ 196		$ 324		$ 548		$ 860		$ 977		$ 886		$ 1004
1. Headstart - Annual	Headstrt.	# Enrol.	180	94	210	231	350	423	450	732	550	846	650	752	750	866
2. Headstart - Summer	Headstrt.	# Enrol.	580	101	500	90	600	120	600	120	600	120	600	120	600	120
3. Migrant Day Care	Migrant	# Served	5	1	9	3	17	5	26	8	37	11	47	14	60	18
B. IN-SCHOOL CHILD.& YOUTH (5-21)				$ 1210		$ 1312		$ 2393		$ 2703		$ 3218		$ 3399		$ 3590
1. NYC In-School Program	NYC	# Enrollees	187	76	200	83	270	119	450	198	750	331	900	396	1100	488
2. NYC Summer Program	NYC	# Enrollees	269	97	200	75	400	169	550	232	850	359	1000	422	1100	464
3. CAP Remedial Tutorial	CAP	# Enrollees	293	44	293	44	300	45	340	51	340	51	312	47	264	40
4. Title I Educ. Act	OE	# Enrollees	7,000	959	10,000	1070	10,000	1900	10,000	2000	10,000	2200	10,000	2200	10,000	2200
5. Migrant Youth	Migrant	# Enrollees	--	9	--	10	250	50	283	57	283	57	296	59	340	68
6. Upward Bound	CAP	#Graduates	--	25	9	30	33	110	50	165	66	220	83	275	100	330
C. ADULTS (18-59)				$ 66		$ 90		$ 212		$ 323		$ 425		$ 558		$ 570
1. Head Start Parent Educ.	CAP	New Enrollees	--	--	35	14	152	70	155	66	157	68	160	69	161	69
2. CAP Adult Basic	CAP	# Enrollees	47	17	60	28	60	26	120	54	240	108	400	181	412	181
3. Adult Basic Educ. (II-B)	Ad. Bas.	# Enrollees	234	36	86	30	170	71	340	143	402	168	452	189	476	199
4. Migrant Adult Basic	Migrant	# Enrollees	22	13	30	18	(54)	45	(96)	60	(148)	81	(152)	119	(154)	121
D. RESEARCH & DEMONSTRATION				$ 18		$ 18		$ 54		$ 58		$ 58		$ 58		$ 58
1. Headstart	Headstrt.		--	6	--	6	--	26	--	30	--	30	--	30	--	30
2. Neighborhood Youth Corps	NYC		--	--	--	--	--	1	--	1	--	1	--	1	--	1
3. Community Action Prog.	CAP		--	12	--	12	--	25	--	25	--	25	--	25	--	25
4. Adult Basic (II-B)	Ad. Bas.		--	--	--	--	--	2	--	2	--	2	--	2	--	2
E. ALL OTHER FEDERAL PROGRAMS				$ 479		$ 495		$ 495		$ 495		$ 495		$ 495		$ 495

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III. COMMUNITY SUPPORT				$4555		$ 6338		$ 7285		$ 8358		$ 9501		$ 10426		$ 11248
A. CONCERTED SVS. ASSISTANCE				$ 82		$ 115		$ 257		$ 340		$ 350		$ 370		$ 370
1. Neighborhood Serv. Centers	CAP	# Served	5740	70	7450	$ 90	14200	$ 175	21300	$ 258	21300	$ 250	21300	$ 250	21300	$ 250
2. Constr. & Reh. of Com. Fac.	HUD	# Facil.	48	12	100	25	326	82	326	82	400	100	480	120	480	120
B. HEALTH ASSISTANCE				$ 20		$ 43		$ 137		$ 241		$ 484		$ 666		$ 649
1. Neighborhood Health Ctrs.	CAP	# Served	20	1	200	10	900	$ 74	2070	137	5000	315	9070	489	11300	473
2. Other Health Assistance	CAP	# Served	250	17	270	30	1000	40	2000	60	5400	135	7500	150	10000	150
3. Family Planning	CAP	# Contacts	100	2	150	3	1500	19	1300	19	640	13	150	9	150	8
4. Non-OEO Family Planning	HEW	# Contacts	--	--	--	--	--	--	1300	19	640	13	150	9	150	8
5. Migrant Sanitation	Migrant		--	--	--	--	--	4	--	6	--	8	--	9	--	10
C. HOUSING ASSISTANCE				$ 188		$ 193		$ 375		$ 771		$ 1197		$ 1621		$ 205
1. Housing Rehabilitation	HUD	# Hsg. Uts	--	--	--	--	259	126	383	288	479	490	475	680	479	872
2. Housing Construction	HUD	# Hsg. Uts	--	179	--	180	127	190	191	391	237	611	232	822	231	104
3. Migrant Housing	Migrant	# Hsg. Uts	2	3	3	6	20	51	35	82	34	84	43	106	60	12
4. Community Action Program	CAP	# Served		6		7		8		10		12		13		15
D. LEGAL ASSISTANCE				$ 25		$ 28		$ 87		$ 123		$ 168		$ 171		$ 18
1. CAP Legal Services	CAP	# Cases	700	25	777	28	2130	87	2880	123	3540	168	3690	171	3840	18

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			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
E. LOAN ASSISTANCE				$ 38		$ 33		$ 25		$ 36		$ 43		$ 51		$ 60
1. Operation of SBDC's	CAP	# SBDC's	49	3	--	--	--	--	--	--	--	--	--	--	--	--
2. Operation of SBDC's	SBDC	# SBDC's	--	--	70	5	--	--	--	--	--	--	--	--	--	--
3. Rural Loans	Rur.Lns.	# Loans	17.1	35	13.5	28	16.2	25.1	19.2	36.4	22.5	42.5	26.5	50.5	31.1	59.7
F. NUTRITIONAL ASSISTANCE				$ 504		$ 530		$ 698		$ 1024		$ 1350		$ 1676		$ 1997
1. School Lunch Program	Agric.	# Students	18000	404	19000	380	11405	448	15741	729	20018	1010	24354	1291	28631	1572
2. Food Stamp Program	Agric.	# Served	1300	100	1870	150	3220	250	3473	295	4002	340	4532	385	5002	425
G. COMM. SERVICES SUPP. ASST.				$ 64		$ 59		$ 135		$ 173		$ 190		$ 204		$ 213
1. CAP Services Support	CAP			$ 48		$ 33		$ 91		$ 118		$ 123		$ 123		$ 117
2. VISTA	VISTA	# Vol M/Yrs.	1.9	15.6	4.0	26	5.1	39	6.4	49	7.8	60	9.3	72	10.9	86
3. VISTA Assoc. Program	VISTA	# Assoc.M/Yrs	.1	.4	(.6)	(2.6)	1.1	5	1.4	6	1.6	7	1.9	9	2.2	10
H. OTHER SOCIAL & ECON. ASST.				$ 40		$ 42		$ 36		$ 42		$ 51		$ 56		$ 64
1. CAP Social Services	CAP		--	40		42		36		42		51		56		64
I. RESEARCH & DEMONSTRATION				$ 55		$ 74		$ 314		$ 387		$ 447		$ 390		$ 435
1. Big City CAP	CAP		--	--	--	--	--	219	--	294	--	364	--	307	--	358
2. CAP Health Asst. R&D	CAP		--	8	--	8	--	12	--	16	--	20	--	24	--	25
3. CAP Hsg. & Comm. Fac R&D	CAP		--	3	--	5	--	8	--	12	--	13	--	14	--	14
4. CAP Legal Asst. R & D	CAP		--	2	--	3	--	3	--	3	--	3	--	3	--	3
5. CAP Other Soc Asst R&D	CAP		--	42		58	--	72	--	62	--	47	--	42	--	35
J. ALL OTHER FEDERAL PROGRAMS				$3539		$5221		$ 5221		$ 5221		$ 5221		$ 5221		$ 5221

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			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
IV. INCOME MAINTENANCE				$12,944		$14,298		$17,198		$18,223		$18,948		$19,898		$21,457
A. NEGATIVE INCOME TAX			--	$ --	--	$ --	--	$ 3,300	--	$ 4,750	--	$ 6,225	--	$ 7,925	--	$ 9,700
1. Gross Cost Negative Income Tax	Treasury		--	--	--	--	--	$ 3,300	--	$ 4,800	--	$ 6,375	--	$ 8,200	--	$10,200
2. Positive Tax Offsets	Treasury		--	--	--	--	--	--	--	$ - 50	--	- 150	--	$ - 275	--	$ - 500
B. PUBLIC ASSISTANCE			--	$ 2,523	--	$ 2,541	--	$ 2,141	--	$ 1,716	--	$ 966	--	$ 216	--	$ --
1. Public Asst. Programs	HEW		--	$ 2,523	--	$ 2,541	--	$ 2,141	--	$ 1,716	--	$ 966	--	$ 216	--	--
C. ALL OTHER FEDERAL PROGS.			--	$10,421	--	$11,757	--	$11,757	--	$11,757	--	$11,757	--	$11,757	--	$11,757

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FY 1966 - 1972

June 15, 1966

(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966		FY 1967		FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
V. BASIC POVERTY RESEARCH	CAP			$ 5		$ 10		$ 32		$ 19		$ 18		$ 19		$ 18
VI. GENERAL SUPPORT	GEN.SPT.			$ 12		$ 17		$ 31		$ 40		$ 45		$ 45		$ 46
DRAFT REJECTEE PROGRAM				$ 5		$ 5		$ 5		$ 5		$ 5		$ 5		$ 5
TOTAL				$20298		$23955		$30436		$33546		$36277		$38357		$41201
OEO PROGRAMS				1455		1750		3620		4897		5943		6330		6884
NON-OEO PROGRAMS				18843		22205		26816		28649		30334		32027		34317

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OFFICE OF ECONOMIC OPPORTUNITY

NATIONAL ANTI-POVERTY PLAN

FY 1966 - 1972

June 15, 1966

(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966		FY 1967		FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
OFFICE OF ECON. OPPOR. PROGS.				$ 1455		$ 1750		$ 3620		$ 4897		$ 5943		$ 6330		$ 6884
Community Action Prog.(less HS)				430		587		1381		1784		2246		2499		2593
Head Start				201		327		569		882		996		902		1016
Job Corps				310		228		406		373		351		351		351
VISTA				16		26		44		55		67		81		96
Migrant Program				26		37		155		213		241		307		342
Neighborhood Youth Corps				272		300		569		807		691		819		953
Work Experience				112		160		--		--		--		--		--
Adult Basic Education				36		30		73		145		170		191		201
Rural Loans				35		28		25		36		43		51		60
General Support				12		17		31		40		45		45		46
SBDCs				--		5		--		--		--		--		--
Draft Rejectees				5		5		5		5		5		5		5
National Youth Trng. Program				--		--		--		--		384		318		318
Adult Work Training Program				--		--		199		270		331		331		331
Rural Adult Program				--		--		163		287		373		430		572
OTHER PROGRAMS				$ 18843		$ 22205		$ 26816		$ 28649		$30334		$ 32027		$ 34317
Labor Mobility Program				--		--		68		68		68		68		68
Manpower Development & Trng.				109		208		660		660		660		660		660
Title I Education Act				959		1070		1900		2000		2200		2200		2200
HEW Family Planning				--		--		--		19		13		9		8
Housing Rehabilitation				--		--		126		288		490		680		872
Construction of Housing				179		180		190		391		611		822		1041
Const.&Rehab. of Com. Facl.				12		25		82		82		100		120		120
School Lunch Program				404		380		448		729		1010		1291		1572
Food Stamp Program				100		150		250		295		340		385		425
Negative Income Tax				--		--		3300		4750		6225		7925		9700
All Other Federal Programs				17080		20192		19792		19367		18617		17867		17651
TOTAL				$ 20298		$ 23955		$ 30436		$ 33546		$36277		$ 38357		$ 41201

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ADMINISTRATIVELY CONFIDENTIAL

OFFICE OF ECONOMIC OPPORTUNITY

NATIONAL ANTI-POVERTY PLAN

FY 1966 - 1972

June 15, 1966

COMMUNITY ACTION PROGRAM SUMMARY

(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966		FY 1967		FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
I. EMPLOYMENT																
A. JOB CREATION ASSISTANCE																
1. Public Employment Program	CAP	Jobs	--	10	31	73	35	104	40	125	45	142	50	157	50	157
2. Foster Grandparents	CAP	Jobs	3	5	5	10	5	10	5	10	5	10	5	10	5	10
3. CAP Subprof. Employment	CAP	Man/Years	(54)	--	(62)	--	(104)	--	(136)	--	(152)	--	(183)	--	(198)	--
D. EMPLOY. COORDINATION ASST.																
1. CAP Comp. Manpower	CAP	# Served	70	35	72	36	200	100	200	100	150	75	100	50	100	50
E. RESEARCH AND DEMONSTRATION																
4. Community Action Program	CAP		--	10	--	13	--	15	--	15	--	15	--	15	--	15
II. INDIVIDUAL IMPROVEMENT																
B. IN-SCHOOL CHILDREN & YOUTH (5-21)																
1. CAP Remedial Tutorial	CAP	# Enrollees	293	44	293	44	300	45	340	51	340	51	312	47	264	40
6. Upward Bound	CAP	# Graduates	--	25	9	30	33	110	50	165	66	220	83	275	100	330
C. ADULTS (18-59)																
1. Head Start Parent Educ.	CAP	# Enrollees	--	--	35	14	152	70	155	66	157	68	160	69	161	69
2. CAP Adult Basic	CAP	# Enrollees	47	17	60	28	60	26	120	54	240	108	400	181	412	181
D. RESEARCH AND DEMONSTRATION																
3. Community Action Program	CAP		--	12	--	12	--	25	--	25	--	25	--	25	--	25
III. COMMUNITY SUPPORT																
A. CONCERTED SVS. ASST.																
1. Neighborhood Sv. Centers	CAP	# Served	5,740	70	7,450	90	14,200	175	21,300	258	21,300	250	21,300	250	21,300	250
B. HEALTH ASSISTANCE																
1. Neighborhood Health Centers	CAP	# Served	20	1	200	10	900	74	2,070	137	5,000	315	9,070	489	11,300	473

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OFFICE OF ECONOMIC OPPORTUNITY
NATIONAL ANTI-POVERTY PLAN
FY 1966 - 1972

June 8, 1966

(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966 UNITS	FY 1966 DOLLARS	FY 1967 UNITS	FY 1967 DOLLARS	FY 1968 UNITS	FY 1968 DOLLARS	FY 1969 UNITS	FY 1969 DOLLARS	FY 1970 UNITS	FY 1970 DOLLARS	FY 1971 UNITS	FY 1971 DOLLARS	FY 1972 UNITS	FY 1972 DOLLARS
2. Other Health Asst.	CAP	# Served	250	17	270	30	1,000	40	2,000	60	5,400	135	7,500	150	10,000	15
3. Family Planning	CAP	# Cont.	100	2	150	3	1,500	19	1,300	19	640	13	150	9	150	8
C. HOUSING ASSISTANCE																
4. Community Action Prog.	CAP	# Served		6		7		8		10		12		13		1
D. LEGAL ASSISTANCE																
1. CAP Legal Services	CAP	# Cases	700	25	777	28	2,130	87	2,880	123	3,540	168	3,690	171	3,840	18
E. LOAN ASSISTANCE																
1. Operation of SBDCs	CAP	# SBDCs	49	3	--	--	--	--	--	--	--	--	--	--	--	--
G. COMM. SERVS. SUPP. ASST.																
1. Community Action Supp.	CAP		--	48	--	33	--	91	--	118	--	123	--	123	--	11
H. OTHER SOC. & ECON. ASST.																
1. CAP Social Services	CAP		--	40	--	42	--	36	--	42	--	51	--	56	--	6
I. RESEARCH & DEMONSTRATION																
1. Big City CAP	CAP		--	--	--	--	--	219	--	294	--	364	--	307	--	35
2. CAP Health Asst. R&D	CAP		--	8	--	8	--	12	--	16	--	20	--	24	--	2
3. CAP Hsg.&Com. Facl. R&D	CAP		--	3	--	5	--	8	--	12	--	13	--	14	--	1
4. CAP Legal Assist. R&D	CAP		--	2	--	3	--	3	--	3	--	3	--	3	--	
5. CAP Other Soc.Asst. R&D	CAP		--	42	--	58	--	72	--	62	--	47	--	42	--	3
V. BASIC POVERTY RESEARCH	CAP		--	-5	--	10	--	32	--	19	--	18	--	19	--	
TOTAL				$ 430		$ 587		$ 1381		$ 1784	--	$ 2246	--	$ 2499	--	$ 2,59

OFFICE OF ECONOMIC OPPORTUNITY

PROGRAM MEMORANDUM
ON
EMPLOYMENT

FY 1968-FY 1972

JUNE 1966

PROGRAM CATEGORY I - EMPLOYMENT OPPORTUNITIES

PART I

A. Recommendations

In this section are listed briefly the major program recommendations made in this memorandum for increasing the employment opportunities of the poor. It should be stressed that the sum of our recommendations suggest a much increased federal effort in the manpower area.

1. Job Creation Assistance:

a) Public Employment

1) Establishment of a demonstration program to develop techniques in this area.

2) Creation of a major program in the event of an economic downturn.

2. Job Training Assistance:

a) MDTA

1) An increase in the program to 725,000 slots of which 425,000 will be for the poor.

2) A major shift to use of the OJT program especially for the disadvantaged.

3) An increase in allowances paid trainees so there will be greater incentive to remain in the Institutional program.

4) Development in the Institutional program of a capacity to offer part time training to full time workers in order to give them more skills.

5) Creation of a technical advisory group to aid indirectly in setting up training programs.

b) Adult Work Training for Urban Areas

1) A reorientation of the present Work Experience program toward providing more meaningful work experience and more services oriented toward getting the person into the labor force for the total group of urban adults (as opposed to just welfare recipients) needing such service.

2) Base allowances on a 40 hour week at the prevailing minimum wage.

3) Transfer of the program to the Manpower Administration.

c) Rural Adult Program

1) Establishment of a rural counterpart of the urban program to meet the special needs of rural areas.

2) Locate this program in the Manpower Administration with it to be administered in close coordination with the Department of Agriculture.

d) Job Corps

1) Stabilization of the program at FY 1967 levels of 63,000 enrollees per year.

2) Development of a City Center program for an additional 4,600 enrollees in FY 1968 and 6,600 enrollees in FY 1969.*

3) Developing means of establish a tie-in between Job Corps and MDTA with a special effort to create OJT slots for Corpsmen.

e) NYC Out-of-School

1) Expansion of the capacity of the program to provide remediation, counseling, and other supportive services.

f) National Youth Training Program

1) Establishment of a national youth program in FY 1970 that will incorporate both the NYC Out-of-School program and the Job Corps City Centers. In urban areas the program will be closely linked to MDTA and offer youths a superior program of remediation and vocational training. When this is not feasible in rural areas, the program will be similar to the strenghtened NYC Out-of-School program.

3. Job Search Assistance:

a) USES

1) Upgrade the program as proposed in the Department of Labor Bill.

*Note: This program is merged with the National Youth Training Program in FY 1970.

2) Make USES more responsive to the needs of the poor.

b) Mobility

1) Development of a mobility program to cover the costs of job search, moving, and readjustment for 120,000 persons a year who will transfer to areas with labor shortages.

4. Employment Coordination Assistance:

a) Development of CAP's role as a catalyst to other agencies to establish more efficient and better coordinated manpower programs.

b) Increasing emphasis upon skill centers as a means of coordinating the manpower effort of several agencies and as a device for serving the rural poor.

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OFFICE OF ECONOMIC OPPORTUNITY
NATIONAL ANTI-POVERTY PLAN
FY 1966 - 1972

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(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966 UNITS	FY 1966 DOLLARS	FY 1967 UNITS	FY 1967 DOLLARS	FY 1968 UNITS	FY 1968 DOLLARS	FY 1969 UNITS	FY 1969 DOLLARS	FY 1970 UNITS	FY 1970 DOLLARS	FY 1971 UNITS	FY 1971 DOLLARS	FY 1972 UNITS	FY 1972 DOLL
I. EMPLOYMENT				$ 808		$ 1048		$ 2183		$ 2462		$ 2587		$ 2568		$ 2
A. JOB CREATION ASSISTANCE				$ 15		$ 83		$ 114		$ 135		$ 152		$ 167		$ 1
1. Public Empl. Program	CAP	Jobs	--	10	31	73	35	104	40	125	45	142	50	157	50	1
2. Foster Grandparents	CAP	Jobs	3	5	5	10	5	10	5	10	5	10	5	10	5	
3. CAP Subprof. Employment	CAP	Man/Years	(34)	--	(62)	--	(104)	--	(136)	--	(152)	--	(183)	--	(198)	
B. JOB TRAINING ASSISTANCE				$ 630		$ 731		$ 1683		$ 1929		$ 2084		$ 2075		$ 22
1. Manpower Dev. & Trng.	Labor	# Trained	80	109	165	208	425	660	425	660	425	660	425	660	425	66
2. Adult Work Training	AWT	# Trained	--	--	--	--	80	199	104	270	128	331	128	331	128	3
3. Rural Adult Program	RAP	# Trained	--	--	--	--	50	163	80	287	100	373	120	430	160	5
4. Job Corps	Job Cps.	# Trained	38	310	52	221	63	383	63	338	63	338	63	338	63	3
5. NYC Out-of-School	NYC	# Trained	95	99	102	142	104	278	134	374	--	--	--	--	--	-
6. Nat'l Youth Trng. Prog.	NYT	# Trained	--	--	--	--	--	--	--	--	128	382	113	316	113	3
7. Work Experience Program	Wk. Exp.	# Enrollees	81	112	105	160	--	--	--	--	--	--	--	--	--	-
C. JOB SEARCH ASSISTANCE				$ --		$ --		$ 68		$ 68		$ 68		$ 68		$
1. U.S. Employment Service	Labor	# Served	--	--	--	--	--	--	--	--	--	--	--	--	--	-
2. Labor Mobility Program	Labor	# Moves	--	--	--	--	120	68	120	68	120	68	120	68	120	
D. EMPLOY. COORDINATION ASST.				$ 35		$ 36		$ 100		$ 100		$ 75		$ 50		$
1. CAP Comp. Manpower Prog.	CAP	# Served	70	35	72	36	200	100	200	100	150	75	100	50	100	
2. Manpower Trng. Centers	Labor		--	--	--	--	--	--	--	--	--	--	--	--	--	
E. RESEARCH AND DEMONSTRATION				$ 10		$ 20		$ 40		$ 52		$ 30		$ 30		$
1. Job Corps	Job Cps.		--	--	--	7	5	23	7	35	--	13	--	13	--	
2. Neighborhood Youth Corps	NYC		--	--	--	--	--	2	--	2	--	--	--	--	--	
3. Nat'l Youth Trng. Prog.	NYT		--	--	--	--	--	--	--	--	--	2	--	2	--	
4. Community Action Program	CAP		--	10	--	13	--	15	--	15	--	15	--	15	--	
F. ALL OTHER FEDERAL PROGRAMS				$ 118		$ 178		$ 178		$ 178		$ 178		$ 178		$ 1

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PROGRAM CATEGORY I - EMPLOYMENT OPPORTUNITIES

PART II

A. Introduction

1. National Objectives:

The function of Manpower programs as part of an overall strategy for the War on Poverty is the development of the employment capacity of all poor persons who desire and are capable of work, so that they may engage in useful employment providing sufficient income for them to live as members of non-poor economic units. Thus, the goal of manpower policy is the development of a viable work force capable of escaping poverty through its own labor.

2. OEO Objectives:

In terms of the division of labor, OEO has a major operating role in youth manpower programs. OEO's objective is to provide poor youths with the employment capacity to escape and remain out of poverty through work. OEO's role vis-a-vis adult manpower programs is primarily catalytic and supportive. Its goals are to make other programs more responsive to the manpower needs of the poor, demonstrate efficient methods of manpower activity (those two goals are catalytic), and when necessary provide supportive services to facilitate manpower programs in reaching the national manpower objectives.

3. Relationships to Other Poverty Programs:

Poverty must be fought with a variety of complementary approaches. First, manpower policy should help in the development of a work force capable of coping with the needs of a modern industrial society. Second, an education

program should provide people with the capacity to be productive in a changing society. Manpower and education are closely related. In the near term, manpower programs will receive education's failures and often have to provide general education as well as vocational training. But, if education improves to a point at which all have the basic skill tools, manpower will still have a place. Manpower's main role would be to prevent persons from falling into poverty because they have become obsolete in the rapidly changing technology.

Third, programs under the rubric of other social and economic opportunities provide services on both an individual and community basis through which such crippling handicaps as poor environment, neglected health, and family breakdown may be overcome.*

Fourth, income maintenance programs are aimed at providing support to the employable person during temporary unemployment and furnishing sufficient income for other (nonemployable) participants to escape poverty.

The negative tax scheme presented in an accompanying program memorandum may be used to demonstrate the relationship among the various elements of the poverty program. The negative tax provides sufficient income to give the recipient some flexibility in seeking employment and an allowance structure

*As discussed below, we are assuming appropriate monetary and fiscal measures to assure an adequate level of aggregate demand so that the work force may use its skills productively.

which makes it beneficial for the recipient to work. However, unless an active fiscal and monetary policy "creates" job opportunities, manpower (or education) programs provided needed skills, and other social and economic programs make available services such as health care; the value of the two features of the negative tax may be greatly diminished or removed.

4. General Economic Conditions:

The labor market is now characterized as "tight" relative to the situation a year ago and promises to become somewhat tighter in the immediate future. The rapid growth of total output required almost 2-1/2 million additional workers between December 1964 and December 1965 of which only about half could be supplied from the normal increase in the labor force. Moreover, there was a substantial shift in favor of the blue-collar positions and the lower skill levels of other broad occupation categories. Projections of GNP for 1966 imply an equivalent increase in final demand and probably a similar derived demand for additional employees. In spite of certain recent indicators, we see no current reason to change these projections.

These conditions have almost eliminated former doubts about the adequacy of demand for absorbing the output of manpower development efforts directed toward the poor. Current concern is chiefly focussed on the problem of supplying enough additional manpower to satisfy the enlarged demand without inordinate increases in labor costs and product prices. In this context development of the latent manpower resources among the poor, which are almost by definition unemployed underemployed, or underdeveloped, takes on

a doubled significance. The poor need the added earnings as much as before but the economy not only needs and is seeking the added manpower, but it must obtain it or the demand will be dissipated through inflation.

While the immediate outlook for manpower programs is very bright, a note of caution is in order. Tight labor markets have in the past drawn "marginal" workers from among the poor on an emergency basis. However, such workers have also been dropped from regular employment as soon as the emergency is over. This must not happen again if we can possibly avoid it. We are challenged by history to use this tight labor market for augmenting the capacities of these "marginal" workers so they can maintain employment after the emergency is past.*

The current situation is also characterized by a "tight" budget situation at the Federal level. Given the revenues generated by current tax rates, expanded military expenditures have precluded substantial increases in domestic programs. While it is not yet clear whether taxes will be increased and/or military needs will expand further by fiscal 1968, there is at least a possibility that domestic programs will be similarly constrained in our next Budget. If so, the rationale will be to avoid over-stimulating the economy beyond its ability to produce increases in real output. But that same rationale would also support the expansion of manpower development efforts because they can increase productive capacity of the economy. Hence it is assumed that manpower programs can rightfully claim a top priority even when there is a severely constrained budget for domestic programs generally.

*There will, of course, always be a "margin," but it can be made much thinner than it has been in the past, i.e., fewer persons, and also less persistently filled by the same people.

In developing the manpower program for the poor for the 1968-72 period it has been assumed that monetary and fiscal policies will be appropriately chosen to maintain a high level of aggregate demand sufficient to keep unemployment down to 3-1/2% or lower. It is anticipated that inflation will continue to be a major concern, but it can be held to acceptable levels without retreating to higher unemployment rates. As military expenditures stop growing or decline the War on Poverty will become a top priority claimant for the incremental revenue produced by a growing economy. More specifically, it is recommended and assumed that Public Employment, as described in detail for the 1967 program, will be used as needed to bolster demand for labor at the low qualification end of the labor market. In short, we are planning on the basis of a continuation of a fairly tight labor market which provides adequate employment opportunities for the poor who have or can obtain the basic qualifications for employment.

While full-employment is itself a powerful deterrent against discrimination it is assumed that the government will also use more direct means of ending discrimination against minorities. This must be done to make manpower development effective for all of the poor.

Finally, it is recognized that private employers are continously engaged in substantial training activities and that such activities increase in tight labor markets when fully trained and experienced workers are hard or impossible to find. But, such training is costly and must be balanced against competitive bidding for experienced workers and both tend to raise labor costs and prices.

Government efforts can encourage more training and less bidding-up as well as offset some of the costs. More important, however, is the fact that in absorbing the disadvantaged, private employers are inclined to provide just enough narrowly conceived training to get a simple job done. These efforts must be augmented by broader remedial education and upgrading so that these workers can maintain employment in the longer run.

B. Universe of Need and Program Impact

1. The Universe:

The following table illustrates the universe of those poor needing employment oriented assistance in the fiscal years 1968 through 1972. A tight labor market situation was assumed throughout these 5 years.

For purposes of analysis the poor population is divided into the two major categories of out-of-school youth and adults. Poor out-of-school youth, 16-21, predominately include those who have just recently entered the labor force. They have not yet made the vocational and economic decisions which will determine their future chances to get and stay out of poverty. This group must be given preventive help, thereby allaying the need for future, meliorative aid to overcome the established patterns of adult life.

For poor adults, the problems that have made them poor and continue them in poverty must be overcome. Existing patterns need to be altered by the training, education, and other assistance to provide both a new perspective and the means of achieving it.

The calculation of the adult universe of need was based upon the 22-54 age group. This does not indicate an upward limit of 54 for existing and proposed programs but, rather, serves as the most logical basis on which to make a calculation of need. It is this 22-54 group which would be most responsive to, and derive the most benefit from the adult manpower assistance. For both youth and adults, the types of assistance needed are classified as either basic employability or vocational in nature. The former includes adults and high school dropout youth who have had little, or a highly erratic, recent work history. These can and should work, but have basic deficiencies which inhibit their job holding abilities. Those in the vocational need category include regularly employed adults and youth, plus all high school graduate youth. The problems of these poor do not include the basic deficiencies of the other group. Within this category are those who need the skill training and other assistance which will increase their abilities to remain employed and to earn a wage above the poverty threshold.

The numbers of poor presented in the following table are approximations based upon special tabulations of CPS data for 1964. The results of the March 1966 CPS will be available in August of this year and will

allow further refinement of these calculations. A more definitive explanation of the bases for these universes of need is presented in the Appendix to this memorandum

Employment Programs For The Poor
Universe of need in a tight labor market
(In Thousands)

	FY 68	FY 69	FY 70	FY 71	FY 72
Out-of-School Youth, Age 16-21	887	808	720	692	671
Basic Employability Needs	307	251	185	178	178
Vocational Needs	580	557	535	514	493
Adults, Age 22-54	4,900	4,450	4,000	3,550	3,100
Basic Employability Needs	1,600	1,500	1,400	1,300	1,200
Vocational Needs	3,300	2,950	2,600	2,250	1,900

2. The Impact:

The table presented below summarizes the universes of need in basic employability and vocational training for youths and adults and the relative impact on these needs of the major anti-poverty employment programs recommended in this memorandum. In the table each universe represents the total number (100%) of poor persons needing that type of assistance during the FY 1968-72 time period. The number served by each of the programs is compared against this total need. Therefore,

these percentages are additive and in sum constitute the cumulative impact of the listed programs on their respective universes (i.e., under Poor Adult-Basic Employability, the sum of the Adult Work Training and Rural Adult Programs impact is 60% of the total universe).

Employment Programs For the Poor
(Cumulative Program Impact, FY 1968-72)

	Poor Youth Needs		Poor Adult Needs	
	Basic Emp.	Voc.	Basic Emp.	Voc.
I. Cumulative Universe of Need	100%	100%	100%	100%
II. Cumulative Program Levels				
A. Vocational Training				
1. MDTA				
a. Institutional				
- Full Time	15%	-		7%
- Upgrading	-	23%		9%
b. OJT	5%	22%		24%
2. JOB CORPS	30%			
3. NATIONAL YOUTH - CITY CENTERS	(20%)[1]			
B. Work-Experience				
1. NYC Out-of-School	23%			
2. ADULT WORK TRAINING	-		28%	
3. RURAL ADULT PROGRAM	-		26%	
4. NATIONAL YOUTH - NEIGHBORHOOD TRAINING	15%			
C. Public Employment	--			6%
Total Cumulative Program Impact	88%	45%	54%	46%

[1]Included in MDTA percentages.

The levels of effort reflected in the above table are based upon these considerations. First, the problems of the most severely disadvantaged (basic employability needs), especially the youth segment of that group, must be given special emphasis. These people are least likely to benefit from economic prosperity if they are not given some kind of employment help.

Second, the more advantaged of the poor universe (those in the vocational category) are most likely to benefit from economic growth. It should be pointed out that our estimates of those escaping from poverty because of economic growth are quite conservative. Hence, the estimates of 45% and 46% penetration under the vocational category may be low. However, even if they are not, we have chosen to emphasize programs that help the most needy. This is our priority determination. If additional funds are available, then the vocational needs should be met more adequately.

Third, the more advantaged group seems most in need of training which is part of the job assignment or training which is provided after work hours (for those already employed). This need is reflected in the decision to emphasize on the job training and job upgrading programs over the traditional institutional approach.

In subsequent sections of this memorandum, the specifics of each program will be discussed in greater detail. It is in the context of these tables, however, that the ultimate selections between alternative programs were made.

C. Program Elements and Strategies

Before considering specific employment opportunity (manpower) programs, let us discuss briefly the elements and strategies in these programs that need special emphasis in a tight labor market. A tight labor market and greater stress on helping the disadvantaged implies policies for the very disadvantaged that provide extra supportive services oriented toward getting the person into a job as quickly as possible, and for others a focus upon upgrading people while they work full time.

The hard core unemployed often have a negative image of the institutionalized system for obtaining jobs (e.g., USES). Hence, every effort must be made to reach these people and convince them that it is to their advantage to participate. Intake personnel should have sufficient competence to guide the person quickly to the needed service. Further, it is imperative that the disadvantaged person be moved quickly through the process of being readied for training or employment and not be lost in the process of going from the jurisdiction of one agency to that of another. For example, a person should not be expected to travel unaided about the city getting services from different agencies and then returning to employment servicing. The separate functions of the manpower program should be coordinated so as to be in effect a continuous process through which a person moves quickly and is protected from falling out in the blur of interagency perogatives. These general statements no doubt fail to convey the dilemma of the poor person in

the complexity of a bureaucratic system. But, for him it is often a frightening experience to move through the maze of the middle class bureaucracy. Therefore, it is imperative that the system be meshed in such a way that his likelihood of being lost is minimized. Such a system requires more than the physical proximity of programs. It demands effective coordination among the serving agencies.

Whenever possible, remedial education and training should be tied to a job. The disadvantaged person has usually been failed by the school system once and is leery of this setting. Further, a job can be expected both to increase his confidence and make training and remediation more realistic. Hence, every effort should be made to get the person on the job and give him additional help while he is earning money.

Supportive services should be emphasized. Adequate counseling, health services, etc., should be available and used to enhance trainability and employability. Every effort should be made to prevent dropouts. When a person misses classes, for example, the reason should be determined and, if possible, the person helped to return. It is this base of support which often will help these disadvantaged people over the crucial period of just starting on training or a job.

The person who has participated in a manpower program should know that he has supportive help available if needed after he gets a job. An employer hiring persons who have passed through the manpower program should be told that such help is available. It is imperative that the person get over the critical period of starting a job, as failure is apt to be harmful in proportion to our success in raising their expectations.

The first 3-6 month period of a new job is the critical time. If the person keeps the job for this period, he is likely to hold it permanently. For this reason it is imperative that a third party be available to intercede between the employer who is distrustful of the disadvantaged person and the employee who does not yet trust the system. Counseling personnel available during this period may greatly reduce the "real cost" of manpower programs by lowering materially the job quit rate.

In the tight market every effort should be made to make the labor force more viable. The upgrading function involves an effort to improve earnings and job security of those who are currently employed. In a tight labor market this becomes important as an antipoverty weapon. With employment rising, an increasing proportion of the poor will be employed for much or all of the year. The government must offer assistance to these people and to those who have just emerged from poverty. Many of the latter group will return to poverty when demand falls if we do not prepare them for a better future.

To encourage upgrading, the manpower program should emphasize evening training and be prepared to pay incentives to defray the costs of participating in training. Also, when possible, employers should be approached to help in setting up an upgrading program for both newly hired persons and regular employees at low level jobs. The big difference in this approach will be that the government will be working with a man after he is on the job rather than before. In essence, it may be necessary that services in training be telescoped so that they are given to a person while he is on the job.

D. <u>Job Creation Assistance</u>:

1. <u>Public Employment</u>

a) Objectives

The goals of a public employment program are (1) to develop meaningful jobs with advancement potential for persons seeking economic opportunities, and (2) to expand services in areas of public need through the innovative use of non-professional personnel. As an example, one may think of the many "new careers" (e.g., home health aide) that can be developed in the health field in response to the growing public needs arising from the Medicare program. Further, we may also think of expansion of services through the development of teachers aides, recreation aides, and a variety of other new subprofessional jobs that would increase the ability of the professional to serve more people, more adequately. Thus, a public employment program would be primarily a federally-financed program supporting new jobs in areas of great public need. These jobs would afford the employed person satisfactory employment and the possibility of upward mobility.

The special capabilities of public employment are as follows:

1. Capacity to absorb substantial numbers of employees for long-neglected but socially important tasks.
2. Ability to practice nondiscriminatory hiring and promotion practices without fear of economic consequences.
3. Ability to provide an entry-point into the mainstream of economic participation for the poor. This involves a temporarily sheltered and supportive work environment within which the poor can develop and prove their ability to earn an adequate income.

4. Expand badly needed services in the public sector in those areas in which highly-trained professional personnel are in short supply.

b) Proposed Program

The public employment program was given a prominent position in the plan for fiscal year 1967. When that plan was drawn up, the unemployment rate was in excess of four percent and there was ample reason to expect the continuation of an overall level of demand which would not provide enough employment opportunities at the bottom of the skill pyramid. Our planning assumption for fiscal year 1968 is quite a different one--we assume unemployment near the three percent level. Under that assumption, the private economy and the armed forces will be providing very many opportunities for which the poor are or can become qualified. At this level we see no need for a large-scale public employment program, but recommend instead massive training programs to enable the poor to enter the private economy in decent jobs, and to obtain upgrading. (See section E below.) Under our recommendations for these training programs, the poor would receive allowances for support during the training period; the bulk of the recommended program is for on-the-job training which of course provides support, and for institutional training we recommend increased stipends.

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The unemployment rate is not yet near enough to the three percent level, however, and we are currently investigating the interim need for up to 200,000 public employment jobs, at a cost of about $800 million in fiscal 1967. Since the 1967 column of our submission is based on the President's budget, this possibility is not reflected there.

Any sign of further retreat from the low levels of unemployment assumed for this planning period would call for immediate reconsideration of a more extensive Public Employment Program. If we must, for wise or foolish reasons, live with an unemployment rate around 4%, then we must actively augment the opportunities available to the poor.

In any case, in fiscal 1967 if the interim program is not adopted, and in fiscal 1968, even at a three percent unemployment rate, it is important to introduce the Public Employment Program at low levels of activity. First, and as noted above, there were not plenty of opportunities in every labor market (or in every ghetto embedded in our largest cities) and there is a role for Public Employment in helping to relieve some of these problems. Second, there is a strong likelihood that Public Employment will be needed on a more general scale in the future

and we should now be testing and developing this tool so that we can proceed confidently with a proven program when it is needed

It is proposed that Public Employment be tried out on the demonstration basis in some of the areas of persistent under-employment. In line with our need for data and working experience from such programs. The demonstration projects should provide some experimental variation from the basic model proposed last year.* When such projects are undertaken, they should be coordinated into the manpower program at the local level. For example, the job-development and placement functions can assist PEP employers by helping to define tasks for those with basic qualification and by assuming that the poor are considered for such positions.

*That program aimed at increasing the total demand for workers at possessing only the basic qualifications by subsidizing such positions in public and non-profit institutions. The employers are not required to discriminate in favor of the poor or any other group, and are expected to give employees hired on the basis of the subsidy the same treatment, including consideration for promotion, as its regular employees at the same level.

c) **Programs Levels**

	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Jobs	--	31,000	35,000	40,000	45,000	50,000	50,000
Unit Cost	--	$2,300	$2,880	$3,070	$3,070	$3,070	$3,070
Program Cost[1]	--	$ 71m	$ 101m	$ 122m	$ 138m	$ 153m	$ 153m
Program Direction[2]	--	$ 2m	$ 3m	$ 3m	$ 4m	$ 4m	$ 4m
Total Cost	$10m	$ 73m	$ 104m	$ 125m	$ 142m	$ 157m	$ 157m

[1] Excludes 10% non-Federal share of total costs.

[2] Federal direction costs will be covered by general Community Action Program administrative activities. The costs noted here cover the operations of special corporations within the project communities for the development and administration of PEP activities.

d) Alternative

1) Instead of the localized and demonstration project level of activity in Public Employment, one could consider a more general program or none at all.

With regard to the former alternative, the needs for more and better public-sector services remains high even in areas where the labor market is tight, hence, at least half of the argument

in favor of PEP is unaffected. However, since the general economy is now creating jobs in substantial numbers, and in some cases faster than qualified workers can be found or developed, it is probably unwise to add further to the economy's problems in adjusting to a higher level of demand. As for the alternative of no program at all, it would seem that the information and educational benefits of trying out new job-creation devices are very high indeed, and are further enhanced by the fact that some areas need more job creation even when markets are tight. Worker mobility probably will not solve the whole problem of uneven prosperity and Public Employment can do part of the job.

2. Foster Grandparents Program

a) Objectives and the Present Program

This program is designed to utilize poor adults over 60 years of age who have the physical and emotional qualifications, to establish

personal relationships with neglected children in institutions. These children are predominately in institutions for the blind, deaf and mentally retarded; hospitals; and receiving homes. The program is presently designed to demonstrate the role that some of the aged poor can play in providing services to these disadvantaged children. The program is administered for CAP by the Department of Health, Education, and Welfare.

b) The Proposed Program

Little is known about the potential benefit of this program or the numbers of qualified poor adults who can be recruited. The present demonstrations will help satisfy these needs. Until this clarification is possible, the program levels will remain at the level of 5,100 job openings. At some future date, the decision to expand or abandon this program can more realistically be made.

c) Program Levels

The number of job openings continues at the demonstration program level (FY 1967) through FY 1972. Although the total funding requirement apparently does not vary year to year, the hourly wage paid Foster Grandparents changes from $1.50 per hour in FY 1968 to $1.60 per hour in subsequent years. The increase is lost in the process of rounding to the nearest million dollar level. The above wage increases correspond to the minimum wage level increases recommended by the House Education and Labor Committee.

The average work week is 20 hours. It is assumed that each worker will assist two children.

	FY 68	FY 69	FY 70	FY 71	FY 72
Foster Grandparents Slots	5,100	5,100	5,100	5,100	5,100
Children Helped	10,200	10,200	10,200	10,200	10,200
Program Unit Cost	$1,800	$1,900	$1,900	$1,900	$1,900
Total Cost*	$10m	$10m	$10m	$10m	$10m

3. CAP Sub-Professional Employment

The summary tables of the five year plan include a line under Job Creation Assistance showing the number of poor persons to be employed as sub-professionals working directly for Community Action Programs. This line is included because CAP is expected to employ in its own right a substantial number of people. The funding of the wages for these sub-professionals, however, is included under the functional categories covering the services they will be performing.

E. Job Training Assistance:

1. MDTA

a) Objectives and Present Performance

MDT should have the following goals: 1) to make disadvantaged persons employable at non-poverty wages through training and/or education; 2) to fill some types of skill shortages through training and/or education; 3) to upgrade through training and/or education the skills of individuals presently working who have a high potential for falling into poverty; and 4) to encourage private industry to train more people and to facilitate such training through technical advise.

To date, MDT has had some success in fulfilling the first two goals. However, the bulk of the people reached were not among the

*Includes a small amount (less than $500,000) for HEW contract administrative costs. Excludes 10% non-Federal share of total program costs.

very disadvantaged. For example, in 1965, roughly half the enrollees had a high school education. But, it is important to note that in FY 1967, MDT plans to have 65% of its enrollees in the disadvantaged group. Another deficiency of the program is that it has trained a very small number of people relative to the need. In 1965, roughly 110,000 trainees were enrolled, yet our previous estimates showed a far higher needed population. Thus far, MDT has not incorporated the last two goals into its operating programs.

b) Proposed Program

1) The OJT Program

We believe the major focus in MDTA should be upon OJT training, especially the coupled OJT courses. In FY 1967, MDTA plans to split their slots 50% for OJT including coupled OJT programs. In 1968, we believe the percentage of training in OJT should probably go to roughly 60%. Let us comment briefly on the MDTA allocation for FY 1967. The tentative percentage of trainees for FY 1967 MDTA training are as follows:

	Regular Adults	Disadvantaged Adults	Youth	Total
Trainees	34%	42%	24%	100%
Institutional	14%	18%	18%	50%
OJT (Including coupled programs)	20%	24%	6%	50%

Instead of this allocation, it may be reasonable to turn the program around, making much of the institutional training for the regular adult population, who are now scheduled to be trained for

the higher skilled shortage jobs and concentrating the disadvantaged adults and youths in the OJT courses, especially the coupled OJT. Our reasoning is as follows: The nondisadvantaged adults are probably the individuals most amenable to classrooms (e.g., institutional type training). The disadvantaged adults and the youths, probably fit less well in the classroom setting and further need the immediate job setting to convince them that the program is for real and obviously does lead to a job.

Our recommendations raise some very real problems for the operation of MDTA. First, the OJT program has operated on the principle that the employer has complete freedom in choosing the employee. Under such circumstances, the employer is not likely to choose the more disadvantaged individual when others are available. Second, the salary from the OJT slot will usually exceed materially the present incentive payments under the institutional program. Hence, the less needy and more attractive candidate will have a strong preference for OJT. These two factors present difficulties for converting into a program in which the disadvantaged have heavy representation. It is true that as we get tighter employment, the only people available will be relatively disadvantaged, but our analysis applies to a marginal choice within a range of individuals. Here the employer will choose from the top of the range. In fact, if the choices are bad enough, he may seek to substitute capital for labor or to break the job up into less skilled components.

But, as a partial offset to this problem, OJT has far greater demands for training help from employers than it can possibly meet with its present staff. We recommend that we capitalize on this excess demand for OJT and execute every effort to get disadvantaged individuals (usually after some institutional participation, e.g., a coupled OJT) into OJT slots. Further, as we discuss later, special programs such as Job Corps should fund BAT personnel to meet its particular needs.

2) The Institutional Program

One of the clearest facts to emerge from the European manpower policy experience in a tight market, is that incentives must reflect market conditions if training programs are to be effective. If incentives are too low, trainees will tend to leave programs to take jobs before they have received sufficient skills to be viable employees in a setting of less aggregate demand.

We recommend that weekly payments be set at $64 for adult trainees, plus a $7.50 per week allowance for each dependent of the worker in excess of three dependents. The $64 allowance rate will bring families of four or less out of poverty according to the Social Security Administration standard, and the $7.50 allowance will help larger families to reach the poverty line. Further, we recommend that the youth allowance equal two-thirds of the basic adult allowance.

We recommend that MDT be reoriented to provide part-time training and education to employed persons(defined as upgrading*) with a high potential for falling into poverty when the demand pressures generated by the Viet Nam military activity diminish. Thus, instructions should be given at night or at other times convenient to the employee and employer. Further, the trainee should be encouraged to participate through financial incentives that cover transportation costs and possible fore-gone wages. We would suggest an hourly rate of $1.50 with $1 per day for transportation costs. The goal of this program is to provide a main viable work force with enhanced work possibilities in a setting of lesser aggregate demand.

3) Improved Supporting Service - An Activity Relevant to Both the OJT and Institutional Programs

An important finding of the MDT E and D projects, is that the disadvantaged need greater support (e.g., counseling) in order to benefit from training. MDT support capacity should be increased and should include follow-up if such a service is <u>not</u> provided by USES. We would suggest adoption of VRA's technique of assigning a person to be responsible for a trainee until he has stayed on a job for a reasonable period of time. Support both during training and the critical initial period of the job seems required if we are to really help the disadvantaged become viable employees.

*We have classified part-time training for fully employed persons. All other training in the Institutional and OJT programs are classified as full-time training. It is, of course, true that some of the latter may involve job upgrading as that term is used more broadly.

4) A Technical Advisory Group

As an adjunct to OJT, MDT should establish a technical advisory group that helps private indistry in establishing training for needed skills and redesigning highly skilled jobs in short supply so that less skilled persons may perform some of the needed tasks. Such an activity proved successful in World War II. We believe it has potentials, both for developing jobs for the poor and reducing inflationary pressures.

c) Program Levels

We recommend a training level of approximately 725,000 persons--400,000 OJT and 325,000 Institutional--for FY 1968, and thereafter. Of this 725,000 persons, we recommend that 425,000 be from the target poverty population. The cost to the federal government for the portion of MDTA relating to the poor population is estimated to be $660 million for each year in the five year planning period.

Our universe of need estimates reflect these estimates and suggest that additional training slots for the poor are warranted. Thus, by 1972, we estimate that over two million youths and adults will still need MDT training. However, we hesitate to recommend a larger program until we are able to determine the capacity of the MDT program to expand very rapidly. The little evidence we have on the short supply of trainers and supportive personnel, such as counselors, suggest problems even for the recommended expansion.

The expected yearly participation levels for the poor are as follows (in 1,000's):

	Total	Youths	Adults
Total Program for the poor	425	125	300
Institutional	195	72	123
Full-time	85	30	55
Upgrading	110	42	68
OJT	230	53	177

Costs (in millions) of the MDTA program in terms of poor participants* are estimated as follows:

	Unit Cost	FY 68	FY 69	FY 70	FY 71	FY 72
Institutional	--	$282m	$282m	$282m	$282m	$282m
Full-time	$2,380	204m	204m	204m	204m	204m
Upgrading	708	78m	78m	78m	78m	78m
OJT	1,640	378m	378m	378m	378m	378m

d) Alternatives

1) MDT might hold steady or decrease manpower programs, relying on private industry to train in the tight market, or

2) Concentrate programs solely on the unemployed or marginal part-time person, or

3) Concentrate on upgrading and shortage skill training.

The first alternative would be less costly in dollar outlays, but more costly in "real terms." We believe that industry can meet its needs only with greater inflationary pressures and

*The costs do not include outlays for the 300,000 non-poor participants per year. Our OJT cost estimate is for a coupled program for 75% of poor participants. The classroom portion of the $1,640 (2/3's of this cost) could have been placed under the Institutional costs. It should also be noted that our estimates may be high as a larger portion of the poor OJT participants may not require classroom instruction before starting on the job.

greater social costs associated with the poor being left out of the productive stream for a larger period of time. The other two alternatives individually meet only part of the manpower needs. Actually, we have recommended a program that takes part of each of the alternatives in that it reaches the poor, provides skill training and upgrading, and sets up an advisory unit to facilitate industry training.

4) Instead of an expanded OJT, the government might allow a special tax training credit similar to the investment credit.

We feel this alternative gives the government less discretion in motivating industry to train the disadvantaged. Since each OJT contract must be negotiated, the government may exercise maximum leverage in getting poor people into the training slots. Further, if the experience with the investment credit is any indicator, it is not a very flexible device. By retaining better control of both OJT and Institutional expenditures, the government will be better able to shift the mix in the event of economic change.

2. Adult Work Training Program for Urban Areas

a) Objectives

The goal of this program is to increase the employability of disadvantaged persons in urban areas through meaningful work experience in the public sector and remedial training. The rural counterpart

of this new program, which will be discussed in the next section, and this program will substitute for the present Work Experience program.

b) The Proposed Program

The program will provide the work experience and supportive services necessary to help qualify an estimated average of 800,000 urban-based adult-poor, those who can and should work, for employment in the competitive labor market. Primary focus will be placed on those individuals with erratic or no recent work history (within the past 12 months), in order to introduce or reintroduce them to a normal work situation. Project operations will be located in those urban areas where potential job opportunities exist. This is a necessary condition of the program, as without the prospect of an immediate job or training placement, the value of program enrollment would be severely diminished.

The work provided enrollees will, to the maximum extent possible, correspond to general labor market demand for the types of services performed. It is not a goal of the program, however, to provide specific classroom job training. Program activities are designed to instate job disciplines and to satisfy the other needs of enrollees, so that an enrollee may qualify for placement (1) in jobs within the public and private sectors of the economy or (2) in vocational

training such as in MDT institutional and on-the-job projects.[1] Supportive services (e.g., remedial education, counseling, and health needs) will normally be provided through existing programs and agencies.[2] Important activities provided by or through the program include the diagnosis of each enrollee's abilities, aspirations and needs; development and implementation of a plan suited to the characteristics of the individual; development of job and training placement opportunities, and continuance of services (especially remediation and counseling) once the enrollee has left the program.

The average term of enrollment is expected to be six months. Only under exceptional circumstances of proved need and proved program benefit should enrollment be extended beyond 12 months. It is assumed that 28-30 hours per week will be spent by each enrollee in the work assignment and 10-12 hours in remedial education classes. The maximum program week is 40 hours.

Enrollees will be compensated for each hour of program activity (work and remediation) at the rate of $1.50 per hour in FY 1968 and $1.60 per hour in FY 1969 and beyond. This rate variation corresponds to the increased minimum wage levels now being debated by Congress.

Since the new program is more oriented toward employability and toward the general disadvantaged population (as opposed to welfare recipients), it seems feasible to consider transferring the program

[1] Whenever feasible, slots in MDT might be set aside for graduates of the work training program.

[2] The Adult Basic Education program and the adult assistance aspects of CAP will normally provide needed services. This differs from NYC Out-of-School program design, in that the range of services needed by NYC youth is not available in the number and magnitude of those available to adults.

to the Manpower Administration. As an adjunct to MDT, Adult Work Training would give the Department of Labor a more balanced program with a capacity to treat the employability needs of most disadvantaged adults. Further, consolidating services in the Department of Labor should make both for a simpler structure for serving adult employability needs and for a manpower system that is easier to coordinate.[1]

c) Program Levels

	FY 68	FY 69	FY 70	FY 71	FY 72
Enrollment Opportunities (1,000's)	50	65	80	80	80
Enrollees (1,000's)	80	104	128	128	128
Unit Cost	$3,850	$4,050	$4,050	$4,050	$4,050
Program Cost (in millions)[2]	$ 193	$ 263	$ 324	$ 324	$ 324
Program Direction (in millions)	$ 6	$ 7	$ 7	$ 7	$ 7
Total Cost (in millions)	$ 199	$ 270	$ 331	$ 331	$ 331

[1] A caveat is warranted here. To date, labor has not developed to any great extent in MDT the capacity to serve the educational and training needs of the Work Experience participants nor established meaningful work experience programs for disadvantaged adults. Before transfer, it is important to ascertain that the Department of Labor is willing to develop specialized programs aimed at coping with the needs of these disadvantaged adults.

[2] Excludes non-Federal share of 10% of total program costs.

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1) One alternative would be to continue the present Work Experience program.

As we have discussed, we believe this program should have more of an employability emphasis than it has, and further it should reach a broader group than at present.

2) A second alternative would be to increase significantly the Community Work and Training program.

Again, our emphasis upon employability and a wider group average suggests the type of program recommended rather than the expansion of a welfare program.

3) A final alternative would be to adopt the Powell Committee recommendation that Labor work as a delegated agency for any activities in the Work Experience program.

This proposal would continue the present program design with its prevalent welfare orientation, giving to Labor the specific training related functions. This modification leaves the present program basically unchanged giving only its small training component to Labor. We believe that the program should be given the labor market orientation as suggested.

3. Rural Adult Program:

a) Objectives

The goal of this program is to increase the employability of disadvantaged persons in rural areas through meaningful work experience in the public sector and remedial training. It is the counterpart of the previously discussed urban program with the same objectives but with different means which reflect the locational variations.

b) The Proposed Program

The program will provide the work experience and other services necessary to qualify an estimated average of 600,000 rural adult poor, those who can and

Work Training Program, primary focus will be placed on those individuals with erratic or no recent work history (within the past 12 months), in order to introduce or reintroduce them to a normal work situation. However, unlike the urban program, projects may not be located in areas where potential job opportunities exist. The economic base of many rural areas, and in particular those classified as poverty pockets, may prevent this. It is necessary, however, that each project establish and maintain avenues for qualifying enrollees for job openings which do exist both within and outside the project community. In order to achieve the maximum effectiveness, it is necessary that there be:

1) Formal commitment of MDTA slots for the channeling of RAP "graduates" from a work experience to a vocational training situation. Depending upon the local situation, these training slots could be located within the project community or in an urban area.

2) The establishment of a mobility program for the movement of RAP "graduates" to urban or other areas for training or job placements.

3) Special emphasis on the development of job opportunities for RAP graduates.

The general type of work provided enrollees, the term of enrollment, the composition of the training week, and the compensation are expected to be the same as that of the urban program. But due to the inherent lack of needed services within most rural areas, it is assumed that supportive services (e.g., remedial education, counseling and health needs) will not normally be available through existing agencies, therefore, the project sponsor may be required to provide these.

We believe this program, like the urban one, should be administered by the Manpower Administration. But, with the additional proviso that it be closely coordinated with the Department of Agriculture, especially in terms of finding need persons (outreach).

c) Program Levels

	FY 68	FY 69	FY 70	FY 71	FY 72
Enrollment Opportunities (in thousands)	30	50	65	75	100
Enrollees (in thousands)	50	80	100	120	160
Unit Cost (per opportunity)	$5,300	$5,600	$5,600	$5,600	$5,600
Program Cost (in millions)*	$159	$280	$364	$420	$560
Program Direction (in millions)	4	7	9	10	12
Total Cost (in millions)	$163	$287	$373	$430	$572

d) An alternative to this program which emphasizes mobility would be one which tried to develop jobs in the rural area.

We feel on balance that the first type of program has the greater merit but the problem is complex. The trend of the twentieth century is toward movement from the rural area. Our recommended program facilitates this transfer. On the other hand, the transfer of people often removes potential community leaders so that the area is weakened. Hence, in the job development aspect of the recommended program we feel first priority should be given to local jobs. However, we fear that in many cases such local jobs will not exist.

*Excludes non-Federal share of 10% of total program cost.

4. Job Corps

a) Objectives and the Present Program

The primary objective of the Job Corps is to assist poor youth, 16 to 21 years of age become productive and responsible citizens. In effect, Job Corps proposes to take young persons living in poverty and through education and training prepare them to live in non-poverty circumstances. The concern of this program has been the young man or woman who needs to be removed from the home environment in order to get the training necessary to compete in this society.

The Job Corps has been an operating entity for nearly a year and a half, and has already begun realizing its broad objectives of converting unproductive poor youth to creatively productive citizens as well as its specific goals of establishing a training and education program to suit the peculiar needs of every youth who seeks its

services. Naturally in a new and experimental program there have been problems of a rather wide magnitude. However, some substantial accomplishments in this brief period can be identified.

Because of the variety of problems and deficient backgrounds of its enrollees, Job Corps has developed programs of literacy training, counseling, job training and supportive services to fit the peculiar needs of each Corpsman. There is evidence that this tailoring of programs is beginning to yield benefits. For example, in conservation centers these gains have been reported:

1) An average reading gain of 1.7 grades has been made for every five months enrollees remain in Job Corps Centers.

2) An average increase in mathematics comprehension of 2.6 grades is achieved for every 4.9 months enrollees stay in the Program.

It must be acknowledged that the real success of Job Corps cannot be measured so quickly after the beginning of the program, but real gains in literacy, vocational training, and positive behavior patterns are observed in the Centers. Evidence also shows that the youth who remain in Job Corps long enough to achieve their training and development goals have done quite well on leaving the program. According to our latest data, 3,080 young men and women had terminated their stay in Job Corps in good status (graduated). Two thirds of these youth have taken jobs, about one-fourth have entered the Armed Forces, and the remainder have returned to school.

The Job Corps has had many problems to contend with in its brief existence, and it will undoubtedly have many more. Some of the most urgent problems are as follows: Unit costs have been quite high. In part the high cost can be explained by the necessary outlays to start up a major new program. But, there is a need for better control over the centers in terms of cost. The dropout rate is very high, particularly during the first thirty days after entry, and those who dropout are largely those who need the program most. The quality of instruction and counseling in certain urban as well as conservation centers is not entirely adequate. The proper mix between basic education and vocational training in urban centers is still an issue in dispute. In that regard it must be resolved whether conservation centers are intended to serve as feeder programs of urban centers or operate as self-contained programs. In all centers the evaluation of training and education programs is generally in an unsatisfactory state.

b) Proposed Program

During the period 1968-72, Job Corps as a residential program should not grow beyond the 45,000 capacity programmed for FY 1967. Stabilizing the program at this level will make it possible to determine the effectiveness of a residential setting for dealing with the problems of deprived youth. It will also enable the entire program to enter

steady-state operations which should yield results both in terms of improving the overall quality of the program and reducing cost.

Concomitantly with the stabilization of its residential program, Job Corps should develop and expand the City Center concept of combined residential and non-residential programs. The increasing urbanization of society makes it imperative that Job Corps explore thoroughly the feasibility of serving youth in the environment in which they will live and work. Therefore, the establishment of Centers in several large and medium sized cities should have high priority during FY 1968 and 1969. The research and demonstration achievements in these Centers will facilitate the melding of segments of Job Corps, NYC out-of-school, and MDTA Youth Programs beginning in 1970 (this matter is discussed in detail elsewhere in this paper).

Job Corps begins limited experimentation with City Centers in FY 1967. The plan is for an enrollee capacity at the end of the year of 700 slots. The computation below shows that this figure for FY 1968 should increase five-fold. The computation for City Centers does not go beyond 1969 because of the proposed integration of all City-based Poor Youth Programs beginning in 1970.

The following Table shows the size of experimental City Centers for FY 1968-69.

1) Program Levels	FY 68	FY 69
Slots	3,500	5,000
Enrollees	4,600	6,600
Cumulative Effect on Universe		
Total Programmed Enrollment		11,200
Assumed Lapse Factor		2,200
Net Enrollment		9,000

2) Program Costs	FY 68	FY 69
Slots	3,500	5,000
Unit Cost	$4,986	$4,986
Total Program Cost	$17,450,000	$24,930,000

The distribution of slots in the total Job Corps program between Men and Women should not change substantially after FY 1967. The upper limit of female enrollees should be 8,000 slots for the period. The Job Corps primary emphasis should remain on training young men since it is they who will become primary wage earners when their families are formed. Although some women will be heads-of-households, therefore the principal wage earner, most of them will have the role of secondary earners in their families.

The Conservation Center program should remain as it is for the time being. Evidence is not yet available to show whether these Centers are yielding substantial benefits to the enrollees who enter them. Until more evidence is available major changes should not be made. But, Job Corps must determine as soon as possible whether or not it is desirable to place youths - especially urban youths - in a rural setting. An index of accomplishments is vitally needed for Conservation Centers. In a program sense, this index will be largely geared to a thorough testing and evaluation system which is yet to be instituted in all Job Corps Centers. This is a first-priority item for FY 1967.

One fact that seems to be emerging from the experience of the larger Urban Centers is that bigness causes problems. We feel that Urban Centers need to be restructured so as to establish clearly identifiable 150-250 man units within a larger total complex. Particularly, the 16 and 17 year old Corpsmen should benefit from an increased sense of belonging and identification with the program, which is absent in the large Centers.

We feel that especially in a tight labor market that it is desirable to link Job Corps to MDTA,especially the OJT program. This question is discussed more fully in the Research section, but is of such importance as to merit mention here.

c) Program Levels

The table below recommends program levels for Job Corps under constrained assumptions from 1968-72. Program cost calculations reflect the loss of the City Centers to the National Youth Training Program in FY 1970 and beyond.

1) Programmed Levels (thousands)*

	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Slots	45	45	45	45	45
Enrollees	63	63	63	63	63

Cumulative Effect on Universe

Total Programmed Enrollment (68-72) 315

2) Cost of Program**

	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Unit Cost	$7,500	$7,500	$7,500	$7,500	$7,500
Total Program Cost (Millions)	$406	$373	$351	$351	$351

* Excludes all demonstration program enrollments in FY 1968 and FY 1969.

** Includes demonstration program costs.

d) Alternatives

1) As an alternative to the present Job Corps structure, residential capacity might be developed only when logistical factors dictate a need (e.g., as a means of serving youth in rural areas).

Such an alternative calls into question the validity of the thesis upon which Job Corps was founded--that is, some disadvantaged youth needed to be able to leave their present detrimental home environment before they can be helped. The fact is that evidence is not available for an adequate test of the thesis. But, what little evidence we have and the logic of the situation, does suggest a residential need. However, as we recommended in the Research section, it is impertative that Job Corps test the validity of this thesis, and, further, the extent of need among poor youths if this thesis is valid.

2) Another alternative is to locate Job Corps Centers only in urban areas.

This alternative incorporates the bad environment thesis, but questions the efficiency of locating centers outside the urban complex (especially in remote rural areas). It may be argued that the basic need of the poor youth is to learn to cope successfully with his environment which in most cases is an urban one. To isolate him from this environment both impedes

his learning to master it and places additional stress on his existence (e.g., the Negro confronted by the small provincial town).

In our recommendations for establishing city centers, we have incorporated this notion. However, we have also recommended continuation of conservation centers. Again, we must await more evidence. In the interim, we have recommended a program incorporating both the urban concept for some and the complete break-in-environment concept for others.

5. Neighborhood Youth Corps (Out-of-School Program)

a) Objectives and Present Program

The Out-of-School program provides poor youth (age 16-21 with the work-experience including pre-vocational training and other assistance necessary to develop their abilities to obtain and maintain gainful employment. The desired results of these efforts are two-fold: first, to place enrollees in jobs or in advanced training programs; and, second, to have dropout enrollees resume their education on either a full-time or a part-time basis. Current information indicates that enrollees are leaving the program for the following activities:

To Jobs	21%
To School	10%
To Training	3%
To Military	4%
Other	62%
Total	100%

Follow-up efforts have not yet begun, so that post-termination information on these enrollees is not now available. In addition, a control group has not been established (non-program poor youth against which to compare enrollees) so that the net advantage of the program to its enrollees has not yet been isolated. Information from both of these sources will be collected, and should be available by early FY 1967.

Qualitatively, a recent contract survey and the observations of NYC field evaluation teams indicate that the program is well received by enrollees and is apparently an effective mechanism for reaching poor youth. Program effectiveness to date has been hampered, however, by several deficiencies. These are:

1) Only 29% of all enrollees are receiving remedial education directly associated with program activities;

2) A recent survey indicates that most enrollees are receiving guidance and counseling, but not to the extent desired and probably needed, and

3) Program administrative staffs (both Federal and project) are severely limited in size, thereby limiting necessary administrative activities (most importantly job development and outreach activities).

In addition, the attraction of higher total earnings in private employment has the effect of forcing a premature decision by the enrollee to terminate.

b) Proposed Program

The proposed changes in this program are of a kind that strengthen the remedial education capacity and supportive services within the basic context of the present program. In short, we recommend that the program continue to provide work experience but that it be strengthened so that the total experience of the participant be made more meaningful. Specifically, we recommend:

1) Remedial Education opportunities for all enrollees whenever possible.

2) Increased guidance and counseling and other supportive services.

3) Expanded administrative staffs at both the program direction and project levels.

4) Increased incentives to enrollees to remain in the program and not leave prematurely, due to the pull of economic needs.

In effect, the proposed Out-of-School program will provide for an enriched program, with the enrollee receiving reimbursement for a maximum of 40 hours of work and other program activity. In order to maintain program incentives, the proposed program dollar requirements also include increasing the wage rate from $1.25 per hour in FY 1967 to $1.50 per hour in FY 1968, and then to a $1.60 per hour in FY 1969. This increase is based upon increases in the minimum wage levels now being debated in Congress. It should be noted that our recommendation to keep the program wage scale in line with the minimum wage rests upon a decision to keep the incentive structure attractive in a tight labor market.

c) Program Levels

As the previous discussion of the universe of need indicates, the combination of a decreasing flow of dropouts and improvements in the economy will have a continuing effect on the size of the out-of-school universe. By FY 1969, the impact of all Federal youth programs directed at this high school dropout universe (NYC, Job Corps, and the youth aspects of MDTA) will have the effect of eliminating the backlog of poor youth existing in 1964. Programs subsequent to that year will meet only the projected flow of dropouts into the universe, now estimated to be a net total of 178,000 each year.

The projections for the Out-of-School program have been considered in concert with those for the other named programs, including the emerging National Youth Training Program discussed later in this memorandum. In FY 1970 and beyond, the subject program, the Job Corps and the new City Center program will be merged into the NYT program.

The number of enrollees*and estimated costs are as follows:

	FY 66	FY 67	FY 68	FY 69	FY 70-72
Enrollee Opportunities	60,000	64,000	65,000	84,000	**
Enrollees	95,000	102,000	104,000	134,000	**
Unit Cost (Per Opportunity)	$1,620	$2,166	$4,240	$4,400	**
Total Program Cost	$ 99m	$142m	$278m	$ 374	**

*It should be emphasized that enrollee estimates are based upon the assumption of a tight labor market. If unemployment should worsen, the NYC Out-of-School program as well as the Public Employment Program should have significant increases in the number of participants.

**Program becomes a part of the National Youth Training Program in FY 1970.

6. National Youth Training Program

a) Objectives

The objectives of the program are 1) to provide remedial and vocational training in a city center in conjunction with MDTA to high school dropouts and 2) to provide meaningful work experience for other poor youth who cannot attend city centers (substitute for the present NYC Out-of-School program).

b) Proposed Program

This program essentially combines the NYC Out-of-School program, the Job Corps City Center concept, and certain portions of the MDTA program for youth under one organization. It is recommended that the organization responsible for this new program be located in the Manpower Administration.

The program is both residential and non-residential in nature and is divided into two sub-program elements -- the City Center Program and the Neighborhood Training Program. The primary concern of these programs is specialized assistance for poor high school dropouts.

The City Centers will be focal points for providing job skill training for those poor youth who need and want that assistance. These Centers will utilize the vocational service of the skill center complexes being established by the Department of Labor, and will provide,internally and in concert with other Federal and local programs, the myriad of other services necessary to qualify the

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enrollee for immediate job placement upon graduation. Primary focus will be placed on day-school enrollees, but with provisions for residential arrangements, especially for rural youth not resident to the city for whom special urban orientation help must be provided. Length of enrollment will vary depending upon the skill being taught. The average enrollment is assumed to be 6 months (the present MDTA average).

The Neighborhood Training Program will continue the enriched NYC Out-of-School program described previously in areas where neither the present Job Corps residential program or the City Centers will suffice. This aspect of the program contributes the flexibility necessary to initiate projects in any population or geographic setting.

c) Program Levels

1) City Center Program

The program will replace a portion of the MDTA youth program for the disadvantaged, and will encompass 50 percent of the steady state program level for the present NYC Out-of-School program (1/2 x 89,000 = 45,000). The costs of vocational training and general training facilities will be provided through the MDTA skill centers. Special City Center project staff will be provided for general administration and counseling and remedial education assistance. Enrollees will receive payments at the Federal minimum wage level (an assumed $1.60 per hour) for each

hour of program activity, up to a total of 40 hours per week. The project staff will make arrangements for rural enrollee rooms, but the cost of these rooms will be borne by the enrollee from his earnings.

	FY 1970	FY 1971	FY 1972
Enrollment Opportunities	46,000	46,000	46,000
Enrollees	69,000	69,000	69,000
Unit Cost (Per Opportunity)	$ 3,850	$ 3,850	$ 3,850
Program Cost	$ 177m	$ 177m	$ 177m

2) **Neighborhood Training Program**

The program levels for this program will include those needy poor youth not elsewhere provided for. Unit costs used are identical to those of the Out-of-School program at the $1.60 per hour minimum wage level.

	FY 1970	FY 1971	FY 1972
Enrollment Opportunities	37,000	28,000	28,000
Enrollees	59,000	44,000	44,000
Unit Cost (Per Opportunity)	$ 4,400	$ 4,400	$ 4,400
Program Cost	$ 163m	123m	123m

3) Total Program Cost

	FY 1970	FY 1971	FY 1972
City Center	$ 177m	$ 177m	$ 177m
Neighborhood Training	163m	123m	123m
Total Program Cost	$ 340m	$ 300m	$ 300m
Program Direction	7m	7m	7m
Grand Total	$ 347m	$ 307m	$ 307m

d) An alternative to the proposed program would be a continuation of the present NYC Out-of-School program in urban areas.

We feel the new program will offer better training to urban youths through a MDTA program that by 1970 will be responsive to their particular needs. Further, the City Center complex offers flexibility to the rural youth by allowing him to transfer there for training unavailable in his locale.

F. Job Search Assistance

1. USES

a) Objectives and Present Program

The objectives of the Employment Service should be 1) to place people in jobs that permit them to live over-time in nonpoor economic units, and 2) to make the job market more efficient by bringing together employers and prospective employees both at a local and interregional level. These objectives can be stated simply, but the means of attaining them are quite complex. For example, the first objective may involve out-reach, job development, counseling, follow-up, etc., while the second may include detailed market surveys, an early warning system for plant layoffs, the meshing of persons without jobs, training, and shortage skills across regions, etc. In short, an effective employment service can be a crucial force both in fighting poverty and market misallocations that threaten inflation. In light of recent reports, we need but note that such effectiveness is not now the case.

b) Proposed Program

Rather than discuss in detail a program for USES, we may 1) state that we support the Department of Labor Bill to improve the employment service and 2) list briefly areas we believe need special attention in order for the best interests of the poor to be served:

1) USES should be capable of finding poor people (out-reach), diagnosing their employment and training needs, assigning them to a job on training, counseling them, and performing follow-up during a reasonable period of time. Again, we would suggest the use of VRA's procedure in which a counselor is specifically responsible for a person until he has been employed for sufficient time to indicate the job is permanent. In short, USES must develop competent counselors and a sophisticated follow-up procedure.

2) USES should be reoriented toward long-term placement and job development. Thus, placement in a steady job should count more in the "success statistics" than a temporary one.

3) An effective job market requires both far more information as to future job needs in a locality and better methods of meshing supply and demand between regions.

4) Finally, we would suggest that the very tenor of USES must change so that the poor will come to believe that a major goal of the agency is to serve them adequately. In this regard USES should consider the use of subprofessionals indigenous to the target area for initial contact (including outreach) and follow-up with disadvantaged persons. Our limited evidence suggests that this type of subprofessional

may be superior to regular USES personnel in establishing the rapport needed to best serve the manpower needs of poor persons.

c) Program Levels

Our recommendations are of a qualitative nature. We have made no attempt to estimate either the number of poor USES should serve or the cost of this function.

d) Alternatives

1) Rather than adopting this approach of the Department of Labor Bill to use the present Federal-State system, a fully Federal system might be developed.

We believe that an attempt should be made to improve the present institutional structure first. But, if it appears after some experience that we cannot upgrade USES rapidly through this means, the federalization approach should be tried.

2. Labor Mobility Program

a) Objectives

The objective of a mobility program is to improve the market's flexibility and to help poor persons in areas of less adequate job demand by providing a system to locate jobs in areas of adequate demand and to cover the cost of moving and other necessary expenses involved in bringing the person to the new area. No regular program of this type now exists, but the Department of Labor has gained extensive experience in this area from conducting a series of E and D mobility projects.

b) Proposed Program

Since labor markets do not become tight in perfect unison, we must depend upon worker's mobility in order to take full advantage of the opportunities provided by adequate levels of adequate demand. In order to achieve a uniform approximation to full-employment, it will be necessary for those in areas which remain slack to seek their share of the increasing opportunities in other places. Most potential workers in rural areas will also need to move to find employment. But a poor worker who faces dim prospects in his present location is confronted with several impediments to moving.

A poor worker is short of cash to finance the costs of searching for a job outside his area and eventually moving his household. He may be uninformed or poorly informed about prospects elsewhere. He or his family members may have important rights to welfare assistance or housing benefits which would be lost if he moved. All of these in addition to the relatance to leave familiar surroundings which deters mobility at all income levels.

A mobility program, as proposed last year, can remove or reduce some of these impediments. It can provide more and better inter-area information to guide the moves of the low-skill categories of workers. It can provide financial aid in the form of grants for job seeking outside the home area and for moving and readjustment expenses if a job is found and a move is decided on. It can provide counseling and advice to help the adjustment to the new location.

This program would be a very valuable component of a comprehensive manpower program. There are many who already possess the skills needed to escape from poverty if they were located where the opportunities are. Many of those who need training will also need a relocation either before or after training. In the case of the poor in rural, predominantly agricultural, areas mobility is likely to remain an important part of their salvation as it has been in the past. These people can best be reached by comprehensive manpower programs by assembling them somehow into groups large enough to be provided with training and other services in an efficient manner. Mobility assistance in the form of money and services can make this feasible for mature family heads as well as for youth single persons.

Removal of some or all of the residence requirements for welfare aids could help promote mobility and should be strongly recommended. People rarely move just to get a better welfare check but they may refrain from moving if they will lose the minimum amount of security provided by welfare eligibility.

Briefly, we see mobility assistance as an integral tool in the process of developing manpower resources among the poor. It is crucial to the out-reach phase for the poor scattered in outlying areas. It is crucial to the placement and job development phase for those who may be trained in slack labor markets.

c) Program Levels

It is estimated conservatively, that 5½ million placements of unskilled labor are made each year and that 25% of these openings stay open 15 days or more. Assuming that one out of three of these jobs creates an inter-area search, 480,000 job search trips will be generated. If two such trips are assumed for each worker interested in moving, and half of those interested eventually move, there will be 120,000 moves per year.

Each search is estimated to cost $60 for a two day visit, each move is costed at $225, and readjustment allowances at $50/week for two weeks. The program would be administered through the Bureau of Employment Security which would also develop the inter-area information

	FY 68	FY 69	FY 70	FY 71	FY 72
Moving:					
Dollars (millions)	27	27	27	27	27
Units-moves (thousand)	120	120	120	120	120
Readjustment Expenses:					
Dollars	12	12	12	12	12
Units-moves (thousand)	120	120	120	120	120
Job Searches:					
Dollars	29	29	29	29	29
Units-searches(thousand)	480	480	480	480	480
Total dollars:	$68	$68	$68	$68	$68

Employment Coordination Assistance

1. CAP Comprehensive Manpower Program

a) Overall Concepts

Our concept of a comprehensive manpower program includes both the availability of a large number of discrete services (e.g., training, follow-up, etc.), and a method of linking these services. The latter question is the concern of this section. One approach is to develop entities that provides all services with its own personnel. Thus, conceptually a CAA might recruit, train, and place people solely with OEO personnel. We actually have examples of this model, e.g., JOBS in Chicago. Such an entity may be the future model. At least it is worth experimentation. But, at the present, the elements of a comprehensive manpower program are now being offered by units within HEW, Labor, and OEO. Hence, the near term question involves means of bringing together the services of the three separate agencies.

Effective coordination means that different agencies give each other the power to modify each others programs through negotiation. In some cases it may mean that in some areas one agency can determine how another agency will operate. Meaningful coordination and planning require responsibility for decisions that may go across agency lines. Such questions of power and prerogative are never simple and clear-cut.

Yet, efforts are now being made to bring about greater coordination at all levels of government among the three agencies. We expect to learn much about the problems of coordination from the three-man PCOM teams studying various cities. And, our recommendations should be viewed as tentative awaiting these results.

One other activity merits discussion. Labor is in the process of setting up a Federal-State system for developing the MDTA Plan. It is envisioned that a broad-based coordinating group will be set up that will include several representatives from the three agencies who will establish training slots for the State. The Federal Government will then approve these slots. It is also envisioned under this plan that local committees that mirror the State organization will be set up to develop local MDTA Plans. These local committees will also be a vehicle for coordinating other efforts in the manpower area.

It is clear that the success of this coordination depends upon the effectiveness of these new committees being established. We feel that the guiding principles of these committees should be that of a troika involving the three principle agencies at all levels. In short, one agency should not be a single coordinating agency, but rather all agencies should participate in working out the arrangements effecting their own operation.

b) The Role of CAP

OEO should be a participant in a troika at all levels, with CAP manpower having primary responsibility for OEO coordination at the local operating level. But, in general, CAP's role should be catalytic. The local CAA function should be to fill voids either by taking responsibility for the unfilled need or, more desirably, by moving other agencies to fill the voids. The charge to the local CAA would be to generate a comprehensive manpower system by utilizing existing services to the

fullest and by performing operating functions only when no other agency can or will do the job satisfactorily. Further, even where OEO must fill the void, it should operate on the premise that the responsible agency should eventually assume the duties.

The charge to coordinate requires great sophistication. It is far easier to duplicate existing services and claim that old line agencies simply were not doing the job. But, if most OEO dollars duplicate services, even with some improvement, the effect will be small.

The strategy problems in such a CAA scheme are complex. Some manpower activities not now being performed in most cities are "naturals" for the CAA. The best example is outreach performed by the CAA community representatives. But, other now missing functions, such as follow-up, seem more reasonably in the employment service's domain.

The most difficult question for a CAA is to determine when duplication of existing services is the optimum strategy for change. The textbook answer is a setting in which both the quality of service relative to the poor and the probability of change within the existing agency are low. In extreme cases, OEO will consider establishing a direct challenge to the entire manpower structure.*

*For example, Opportunities Industrialization Center (OIC) duplicates existing manpower programs in Philadelphia but with a special effort to reach the hard-core poor Negro. Such a strategy has meant, both as a goal to existing programs and as a demonstration of methods, to aid disadvantaged groups.

In the usual case, however, a CAA will be weighing the garden variety type of duplication, e.g., whether or not to fund placement and job development slots in competition with ES. The easy choice will be to duplicate, but we recommend against the "go-it-alone" approach until it is clear that other agencies cannot provide adequate service.

c) The CAP Manpower Program

1) Objectives and the Present Program

The purpose of the program is to serve as a coordinative, catalytic agent in establishing and maintaining comprehensive manpower programs in communities throughout the nation. In this role, CAP agencies encourage that the necessary combination of manpower services be brought to bear in a community on the problems of the disadvantaged worker, but these agencies do not, except in circumstances where one or more of the required forms of assistance are lacking, operate or fund the operation of a component activity. CAP may demonstrate the need for a given type of service or may influence the establishment of certain combination of services, but will not undertake to operate any activities on other than a short-term basis. Once a concept has been proved or another agency has agreed to perform a recommended service, the CAP role will cease to exist in that instance.

Examples of present CAP manpower projects include the OIC project in Philadelphia and the STAR project in Mississippi. These projects are comprehensive in nature, and are designed to bring together under

a central leadership the public and private agencies which presently are conducting related activities, to provide a series of supplemental services either through these agencies or separately, and to continue in the role until the existing agencies have built up the level of their own activities to a point where further CAP assistance is unnecessary.

2) The Proposed Program

There will undoubtedly continue to be a manpower role for CAP throughout the forseeable future, especially in meeting the myriad manpower needs of the rural poor. A central pupose of any anti-poverty effort must be jobs for the poor; therefore, as long as poverty continues to be a major problem, the need of continuing emphasis on manpower needs is indicated. Although it is difficult to isolate all the specific areas where CAP activities may focus, the major ones would certainly include program outreach, job development and provision for the individual follow-up needs of graduates of training projects, in addition to the coordinative and program structure aspects of a comprehensive manpower effort. However, since CAP's major role is to detect both poor service and voids in service and then stimulate others to fill these needs, it is impossible to predict the exact nature of CAP's future programs.

3) Program Levels

We feel that it would be fruitless to suggest the number of people CAP Manpower will serve as stimulating activity in a large

number of communities. Rather we have estimated a yearly level of efforts. Our basic assumption is that improving manpower programs will decrease the need for CAP Manpower programs. Our level of effort estimates are as follows:*

	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Cost (in millions)	$ 35	36	100	100	75	50	50

2. The Manpower Training Center

The manpower training (skills) center, providing at least remediation and vocational training on a continuing basis, offers advantages in the area of manpower coordination. First, the centers would provide a central location point for manpower activity. Since we feel that the manpower problem revolves very much around the training function, it would seem that these centers would be a logical place for setting up the great part of the manpower activities. A possible exception might be the placement activity itself, but, even here, we would expect ES representatives to be in an on-going manpower center or at least monitoring the activities of the centers so they could place the graduates.

Second, the centers make at least a partial break with the school program under which MDTA has been more or less subordinated. It might still be true that Vocational Education would supply the training needs for these centers when they are under MDTA. However, there is a big

*Two comments are needed relative to our cost estimates. First, the FY 68 and beyond estimates are based upon the assumption that the FY 67 level will be more realistic so as to establish a base for the future program. Second, the estimated decline in expenditures after FY 69 is based upon the optimistic assumption of fairly rapid improvement in and coordination of manpower programs. Results in FY 67 and FY 68 may cause a revision of this assumption as to expected progress.

advantage in being able to get full-time teachers who would be able to give courses to MDTA students during prime hours, and not always be forced to operate at odd hours not in conflict with the high school vocational schedule. Further, the center is, or can be at least, divorced from the school setting which in many cases have failed the trainees already. It is a place at which experimental methods and the like may be more easily introduced.

Third, the center may give continuity to training. A problem with MDTA has been that prospective trainees must wait until an MDTA course is approved. Such approval not only takes time, but also is not always forthcoming. A center with a permanent staff can mitigate this problem.

Fourth, the center may be the vehicle through which OEO can operate to serve the rural areas more adequately. It seems to us that OEO's limited budget necessitates that its dollars must be combined with other agencies' dollars if OEO is to have more than a marginal impact. The dilemma of many rural areas is that they have no support base (medical facilities, etc.) to consolidate. In such a setting, a manpower center based on a viable county or an urban complex seems to offer the only workable answer. If OEO must fund total support of the rural area "from scratch," its monies will only reach a very few.

The Chattanooga Occupational Training Center offers a possible model for a skills center built around an urban complex to serve a broader geographic area. The Chattanooga Center (an MDTA project) was established to provide unemployed and underemployed youth with technical

skills leading to employment. In the main the participants were drawn from an area within commuting distance of Chattanooga, but some residential capacity was established. A most important feature to note is that the center, which was primarily a training facility, was able to draw supportive services from the city. As an unpublished report by the USOE-MDT staff observed:

> The success of the Chattanooga Occupational Training Center is due, in great measure, to the outstanding cooperation the school received from the community. Where the school could not meet the almost monumental demands made upon it, the community stepped in to provide housing, financial aid, and even medical and mental health services (emphasis added).

While skill centers may vary as to number of services, the minimum level for adequate service should include a capacity to assess the needs of participants as well as train them. The skill center is a less broad concept than the Community College discussed in the Education Memorandum. However, the broader notion certainly encompasses the services of the skills center so that the recommendations of the two memoranda are compatible.

We have discussed the skill centers as a coordinating concept. It is our belief that it will be used more and more in such programs as MDT, National Youth Training, etc. However, it is too early to try to estimate the rate of development (and hence the cost) of these centers. However, implicit in many of our cost estimates is the expectation that centers will often be used to meet program needs.

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H. Research and Demonstration

Given the innovative and experimental nature of the poverty program, continuous research must be a built-in feature of the program if its real value and impact are to be determined with any degree of certainty. Applied research can serve several important functions for the operating parts of the poverty program. Obviously it will enable us to validate claims for those facets of the program which are producing good results. Furthermore, through research we can identify those features which are not worth retaining, and in addition it will provide the basis for using new approaches to the solution of poverty problem.

Proposed research and demonstration projects for OEO Manpower programs, combined with a brief explanation of the supporting rationale is listed below.

1. Job Corps

a) A study of the feasibility of acquiring faculty and counseling personnel for urban and possibly conservation centers on a terminal basis from existing educational institutions. The cross-fertilization should yield benefits to both the Job Corps and public schools and colleges by the interchange of experience, techniques and materials.

b) A test of the validity of the residential need concept for the Job Corps population. It is not yet established that there are benefits for Corpsmen or what the benefits are, for those who live six or seven months in an isolated conservation center or, for that matter, for those who spend several months in residence in a former military installation.

c) A comprehensive study of the Job Corps dropout population. In addition to knowing what the characteristics of dropouts are, it is necessary to know why enrollees with certain characteristics are the first to terminate their stay in the program. Furthermore, determining this would clearly enhance our ability to hold them in the program longer.

d) A study of the need to group Corpsmen by age (i.e., 16-18; 19-21) in living quarters, classroom activities and work situations. This study could provide means of reducing potential friction in the centers and also lessening the disadvantage of adolescent Corpsmen in competing with young adults.

e) A study of the desirability of using Bureau of Apprenticeship and Training Personnel and know-how to place selected Job Corpsmen in on-the-job training positions. Corpsmen are not always ready to leave after completing the highest level of vocational training offered in the urban centers, therefore, providing advanced training, would be an important investment in the Corpsmen's future. Effort should be undertaken to demonstrate whether or not special BAT personnel, financed by Job Corps, may be used to place Corpsmen in OJT slots.

f) As the Job Corps population gets younger as it has during recent months, a study should be done to determine the need for an all-academic training school for Corspmen. The academic training unit could assist promising Corpsmen in preparing to return to school, but most especially in gaining the necessary course credits which would enable them to get into college.

g) Research to determine the new type of instruments to more adequately measure achievement levels (reading and arithmetic). Job Corpsmen and NYC Out-of-School youth who read at fourth and fifth grade levels are often eighteen or nineteen years of age. There is a very real question of the ability of instruments now used to measure effectively this older population

2. NYC Out-of-School

a) A Study of the Work Attitudes and Performance of NYC Participants. This project will supply information about attitudes of youth who apply for service at a selected number of Intake Centers in New York City. In addition, it will measure significant changes in the attitudes of NYC youth, at specific points, from enrollment to termination from the project.

b) An Experimental and Demonstration Project for Reaching the Disadvantaged and Increasing their Employability. This project will provide and study a variety of special manpower services for unemployed, out-of-school impoverished youth from the lower East Side of New York City. Study will include investigating different effects on enrollees who are being supervised in groups such as work crews or who are being supervised individually as in an office.

c) A Study of the Effectiveness of the NYC Out-Of-School Program in Selected Cities. This project will study the effects of NYC out-of-school projects upon enrollees in four cities. Moreover, efforts will be made to relate the impact of various program components (Work Experience, counseling, remedial education, etc.) on enrollees. A control group will be used in the study.

d) Special Summer Studies.

a. The Effect of the Family on Enrollees' Behavior.

b. Occupational and Educational Mobility of NYC "Graduates."

c. Impact of NYC Projects on the Community.

d. Local NYC and CAA Relationships.

e. A Project to Study the Impact of NYC on Sponsors.

f. A Study of NYC Non-Completors.

g. Extent and Adequacy of Supportive Services Given to NYC Enrollees.

e) Observational Analysis of Selected NYC Projects. This effort involves a series of studies that will probe the daily operations of a limited number of projects (perhaps up to 20-25 projects in 12 different areas of the country) for program innovations, and techniques for application in other projects. The observation and analysis will be done by social scientists skilled in this technique for a year.

f) A Research and Development Study to develop a set of scientific measures to test the effectiveness of NYC projects. Precise measures, that are valid, reliable and have predictive value, are currently not available.

g) Study and Developmental Work on Supervision of NYC Enrollees. This effort will review the literature on supervision, the characteristics of disadvantaged youth, forge innovative methods and procedures for supervision from this information and test them in actual experimentally controlled practice. This project will have various facets including the development of training materials.

h) A Developmental Project on Collating Education Materials and Resources. This effort will draw together the currently available educational materials (curriculum as well as theories and techniques) applicable to disadvantaged youth and indicate how it can be utilized for NYC enrollees in in-and out-of-school projects.

i) NYC Data Collection and Analysis as well as Evaluation of Projects. NYC will continue to refine its national reporting system from projects and sharpen its analysis of this material. Moreover, it continually improve its on-site evaluation of projects.

3. National Youth Training

We expect the research in this program beginning in FY 1970 will extend along the lines spelled out under the Job Corps and NYC Out-of-School research programs. While it would not be productive to try to predict specific research in FY 1970 and beyond, we do expect that research will focus primarily upon the problems of helping youths in the city environment.

4. CAP Manpower

a) A study to determine efficient means of performing the outreach and follow-up functions. These are two of the more underdeveloped areas in the manpower field. Further, these are areas in which the task may be performed by sub-professionals.

b) A study to determine whether or not the CAA may be a focal point for helping move people to tight labor market areas. We should know whether or not the CAA may be an appropriate vehicle for mobility programs.

c) A study to determine means of reaching the really hard core poor. In part this study will be an extension of the techniques developed in the Chicago Human Resources program.

d) A study of means of effecting coordination in the Manpower area. We must extend what we learn from the three-man PCOM teams so as to develop more effective means of local coordination.

OFFICE OF ECONOMIC OPPORTUNITY

PROGRAM MEMORANDUM
ON
INDIVIDUAL IMPROVEMENT

FY 1968-FY 1972

JUNE 1966

PROGRAM MEMORANDUM

PROGRAM CATEGORY II -- INDIVIDUAL IMPROVEMENT

PART I

A. SUMMARY AND MAJOR RECOMMENDATIONS

1. Program Recommendations

The programs discussed here under the heading of Individual Improvement are primary for the purpose of increasing the capabilities of the individuals to maintain themselves above the poverty line through the total educational process. They are not described simply as education programs, however, because they go far beyond the narrow definition of education in treating the overall needs of the individual. Head Start, for example, is not merely an education program but is a concerted treatment of the poor preschool child. Its effectiveness comes not simply from the professional teacher; he must be accompanied by the doctor, the dentist, the parent, the volunteers, the social worker, the speech therapist, and the psychologist as well. Within Head Start are the multiplicity of systems that attack the multiplicity of poverty causes.

Head Start includes five components never before combined in any nationwide program.

1. Medical and dental services to impoverished children.
2. Social services in the child's home environment plus education of the child's parents.
3. Services aimed at the psychological development of the child.
4. the intensive use of volunteers at no cost to the taxpayer.
5. School readiness.

Similarly the program we propose for Parent Education connected with Head Start ties the learning needs of the parent together with his felt desire to promote the welfare of his children; other adult literacy programs are tied to the felt needs for reading capabilities directed toward vocational objectives.

It is this concerted treatment toward which the following recommendations are directed.

a. Through CAP, it is recommended that OEO expand Head Start and establish a new Head Start Parent Education program for parents of Head Start children. The latter should be embedded in parent education -- in substance related to child development, such as nutrition, physical and mental health, emotional and social growth patterns. The program should include the provision of the research, development and evaluation necessary to make this linked program effective and replicable. A consortium of colleges and universities, capable of bringing together top experts in compensatory early childhood and adult basic education, should be retained to provide the following research and development and evaluation to support both Head Start and the program for Head Start parents:

(1) Create packaged materials for child and adult learners. Adult materials must combine substantive learning with development of basic educational skills. This would enable replication and expansion of programs by schools and voluntary organizations.

(2) Create materials for teachers of both children and adults. A variety of materials should be designed for professional teachers, volunteers, sub-professionals, and teachers' aides, thus mobilizing the widest possible range of human resources in order to make a major impact on pre-school and parent education programs.

(3) Train teacher trainers, helping teachers and supervisors, who would function from Metropolitan CAA staffs or rural multi-county CAA federations, to train Head Start, Head Start Parent Education, sub-professionals and volunteers.

b. Again through CAP, it is recommended that OEO lay out a demonstration scale program to develop more effective institutional bases for multi-purpose community adult programs, where compensatory basic education can be integrated with parent education, homemaker and consumer education, vocational education, civics, and community leadership development or other substance required by individuals to fulfill adult roles* Alternative institutional models should be tested and compared, including compensatory adult programs based on"community colleges" "community schools," skills centers and community centers. OEO should proceed to fund the development of such institutions on a major demonstration scale, and to press OE for the targeting of various funds to expand programs to operational scale.

(1) Initial OEO funding of adult community education centers as demonstrations should include funds for the research and programs development required to devise curricula, develop student and teacher training materials and equipment, and train teachers and administrators. Such development and backstopping is necessary if there is to be subsequent, rapid and effective replication of the program by new and existing institutions.

c. It is recommended that CAP and Title II-B adult basic education

* Funding for these demonstrations is costed out in the Educational Research and Development Evaluation item in the cost statement at the end of this memorandum.

operations be expanded to assure that the total universe of adult functional illiterates will receive necessary compensatory education by 1972. These operational programs will exploit contributions to the adult education art developed by CAP Adult Education Demonstration effort, using the new and improved materials, methods, institutional settings, and placing special emphasis on integration of basic education with vocational education for low-income family heads.

d. It is essential that the Office of Education allocate funds available under Title I of the Elementary and Secondary Education Act to assure maximum impact on poverty. Title I provides the greatest single sum of money for the education components of the War on Poverty. In spite of the difficulty of evaluating effectiveness of different expenditures of these monies, we do have two specific recommendations:

(1) In order that the gains of Head Start be retained by the poor children benefitting from the program, these children must receive special attention in the early grades. We recommend that Title I be amended to set aside a specific portion -- not less than 38% (five of the 13 years including kindergarten) -- for the grades from kindergarten through the fourth grade.

(2) Because Head Start will be expanded to serve the universe of need as rapidly as resources can be mobilized, we recommend that Title I funds not be allocated to pre-school projects.

2. Organizational Recommendations

In addition to recommendations involving allocation of funds to

particular programs the following recommendations are concerned with ways in which programs will be coordinated, evaluated or backstopped by OEO and the various Federal agencies involved in the Anti-poverty Federal Effort. Cost of implementing these recommendations are included in total costs of programs to which they are relevant;

a. In all OEO educational programs or program components, including CAP components, NYC in-school and summer programs, Job Corps, Migrant and Indian programs and delegated programs, it is recommended that OEO place major emphasis on searching evaluation of alternative compensatory inputs and input mixes. This is necessary in order to refine the state of the compensatory education act, to enable OEO to improve plans and operations of its own education programs, and to effectively exercise its Section 611 authority to coordinate the Federal anti-poverty effort. This involves:

(1) With respect to existing OEO funded, operational level programs, significant funds will be allocated to in-depth evaluative research, by outside contractors, to examine effects of alternative inputs and input mixes in a number of projects selected as representative of the total scope of the program.

(2) In program areas and with respect to age groups for whom OE-ESEA Title I provides operational level funding, CAP Remedial and Tutorial, Upward Bound, NYC in-school program, it is recommended that programs be administered to maximize innovation and demonstration aspects. These programs should break new ground ahead

of Title I operations, and have significant outputs of new knowledge, and/or new educational products (curriculum, methods, materials) required to replicate experimental results on an operational scale, in the OEO operations or in the school systems.

b. The Office of Education, in concert with OE, should undertake a searching evaluation of compensatory education projects under Title I. Such an effort necessitates the development of systematic evaluation criteria and techniques to get at an across-the-board assessment of the whole range of educational services and compensatory programs available to the poor. A significant fraction of OE's Educational Research and Development funds for '68 should be allocated to this and associated projects for the low-income learners with educational deficiencies.

c. The Office of Education should strengthen links between OE Supplementary Centers from Title III (ESEA), Research and Development Centers, and Regional Laboratories from Title IV (ESEA). These should serve as communication and dissemination mechanisms for educational innovations resulting from both Title I (ESEA) and OEO educational undertakings. Similarly, OEO must strengthen its own system for communication between CAP, Job Corps, NYC and the educational projects they fund, thus assuring improved dissemination of educational innovations resulting from OEO projects.

d. It is recommended that OEO utilize the National Institute for Research on Poverty, for training educational policy-makers and top administrators to play a more effective role in the anti-poverty

effort. We should fund the development and operation of a super-training course dealing with strategic educational, economic and organizational issues involved in planning and administering educational programs in concert with other anti-poverty programs at local and state regional levels. Such a program would enroll Metropolitan school superintendents, Job Corps directors, Presidents of Metropolitan and State Boards of Education, State Superintendents of Schools, Metropolitan CAA Directors, Deans of Education, etc. It would help to explore the untouched field of administering concerted anti-poverty programs, and warm the top echelon atmosphere to innovation. The Harvard Business School program for university and college presidents would provide the prototype for this program.

OFFICE OF ECONOMIC OPPORTUNITY
NATIONAL ANTI-POVERTY PLAN
FY 1966 - 1972

June 15, 1966

(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966 UNITS	FY 1966 DOLLARS	FY 1967 UNITS	FY 1967 DOLLARS	FY 1968 UNITS	FY 1968 DOLLARS	FY 1969 UNITS	FY 1969 DOLLARS	FY 1970 UNITS	FY 1970 DOLLARS	FY 1971 UNITS	FY 1971 DOLLARS	FY 1972 UNITS	FY 1972 DOLLARS
II. INDIVIDUAL IMPROVEMENT				$ 1969		$ 2239		$ 3702		$ 4439		$ 5173		$ 5396		$ 571
A. PRESCHOOL CHILDREN (3-5)				$ 196		$ 324		$ 548		$ 860		$ 977		$ 886		$ 100
1. Headstart - Annual	Headstrt.	# Enrol.	180	94	210	231	350	423	450	732	550	846	650	752	750	86
2. Headstart - Summer	Headstrt.	# Enrol.	580	101	500	90	600	120	600	120	600	120	600	120	600	12
3. Migrant Day Care	Migrant	# Served	5	1	9	3	17	5	26	8	37	11	47	14	60	16
B. IN-SCHOOL CHILD.& YOUTH (5-21)				$ 1210		$ 1312		$ 2393		$ 2703		$ 3218		$ 3399		$ 359
1. NYC In-School Program	NYC	# Enrollees	187	76	200	83	270	119	450	198	750	331	900	396	1100	488
2. NYC Summer Program	NYC	# Enrollees	269	97	200	75	400	169	550	232	850	359	1000	422	1100	464
3. CAP Remedial Tutorial	CAP	# Enrollees	293	44	293	44	300	45	340	51	340	51	312	47	264	40
4. Title I Educ. Act	OE	# Enrollees	7,000	959	10,000	1070	10,000	1900	10,000	2000	10,000	2200	10,000	2200	10,000	220
5. Migrant Youth	Migrant	# Enrollees	--	9	--	10	250	50	283	57	283	57	296	59	340	6[illegible]
6. Upward Bound	CAP	#Graduates	--	25	9	30	33	110	50	165	66	220	83	275	100	330
C. ADULTS (18-59)				$ 66		$ 90		$ 212		$ 323		$ 425		$ 558		$ 57
1. Head Start Parent Educ.	CAP	New Enrollees	--	--	35	14	152	70	155	66	157	68	160	69	161	6[illegible]
2. CAP Adult Basic	CAP	# Enrollees	47	17	60	28	60	26	120	54	240	108	400	181	412	18[illegible]
3. Adult Basic Educ. (II-B)	Ad. Bas.	# Enrollees	234	36	86	30	170	71	340	143	402	168	452	189	476	19[illegible]
4. Migrant Adult Basic	Migrant	# Enrollees	22	13	30	18	(54)	45	(96)	60	(148)	81	(152)	119	(154)	12
D. RESEARCH & DEMONSTRATION				$ 18		$ 18		$ 54		$ 58		$ 58		$ 58		$ 5
1. Headstart	Headstrt.		--	6	--	6	--	26	--	30	--	30	--	30	--	3[illegible]
2. Neighborhood Youth Corps	NYC		--	--	--	--	--	1	--	1	--	1	--	1	--	[illegible]
3. Community Action Prog.	CAP		--	12	--	12	--	25	--	25	--	25	--	25	--	2[illegible]
4. Adult Basic (II-B)	Ad. Bas.		--	--	--	--	--	2	--	2	--	2	--	2	--	[illegible]
E. ALL OTHER FEDERAL PROGRAMS				$ 479		$ 495		$ 495		$ 495		$ 495		$ 495		$ 49

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PART II

A. The Problem

1. Educational Deficiencies as a Contributing Cause of Poverty.

Over the past six years, the relationships between poverty and educational deficiencies have been widely documented:

--Lower educational attainment has been linked with lower lifetime earnings, with higher unemployment rates and with longer and more frequent periods of unemployment. Both the low attainment and meager incomes of parents have in turn been linked to the educational disabilities of their children. Children of poor and uneducated parents are more likely to have lower achievement. They are more likely to be early dropouts, a greater tendency to develop negative social attitudes and to have in-school and out-of-school behavior problems.

--Lower educational attainment of poor parents has been linked with other factors that reinforce persistent poverty among poor families, such as low nutrition, greater family instability, larger families, and increased rates of physical and mental illness. Another educationally linked factor in persistent poverty is the virtual non-participation of the poor in the social and political processes of the community. Furthermore, there is abundant evidence that schools in neighborhoods where low-income families are concentrated have:

--Lower per capita expenditures;

--Teaching and administrative staff who are less experienced, lower paid, and fewer in relation to numbers of students;

--Facilities that are older, that lack specialized components (laboratories, libraries, study halls, playgrounds) and that are

generally more crowded;

--Curricula, methods, materials and equipment that are less up-to-date and less adapted to the individual needs, experiences and motivations of the poor children;

--Less parent involvement in school affairs and, therefore, less reinforcement of learning at home;

--Greater racial and income segregation;

--Fewer community cultural and recreational resources which complement the educational programs.

2. Criteria for Educational Programs as a Contributing Cure for Poverty Assumptions and Hypotheses of Alternative Strategies.

Two general methods of attack or strategies for meeting the problem of educational deficiencies of the poor have developed over the years. They may be broadly identified as (1) the equalization approach, and (2) the compensatory approach.

The equalization approach reaches back to the middle thirties. It assumes that the elements of good education are equally relevant to, and graspable by, learners from all socio-economic groups, and that environmentally-based educational deficiencies of the poor will yield to additional inputs of money which will bring poor schools up to a common standard (average per capita expenditure, average teacher-pupil ratios, etc.). This approach centers on an economic analysis and prescription for the inadequacies in the quantitative and qualitative education available to the poor.

The compensatory approach maintains that equalization is not enough. Using sociological and psychological analytical methods, behavioral scientists and experimentally-minded educators have hypothesized, and have a wide variety of tentative findings to indicate, that the poverty environment produces experience and development differences and deficiencies that make even good conventional (i.e., middle class) education alien and very difficult for poor learners to grasp. In the past, the inability of the poor children to cope with this traditional educational content and methods was interpreted as lack of innate ability. Poor dropouts were, therefore, unmourned. It is now believed that there is a wide range of potential among poor children with low achievement that can be realized by tailoring the content and methods of education and altering the learning environment to conform with the needs, development, learning levels and styles of the poor. Only then can children, adolescents and adults, reared in poverty, bridge the gap into the experience of the non-poor.

The complex of hypotheses and tentative evidence for compensatory education is as follows:

-- Sociological and psychological evidence indicates that the language, perceptual and conceptual skills developed in early childhood are fundamental to all subsequent learning.

-- Ordinarily, where parents have the time, awareness, and education, these skills are developed at home in the pre-school years, thus constituting readiness for schooling, especially for reading.

-- In poverty homes, parents often have neither time, awareness nor education to stimulate and guide the early such development, or their children, and the poverty child enters school with serious

initial learning disadvantages, often complicated by physical handicaps and emotional deprivation.

--In school, unless compensation for lags in education attainment is speedily provided, development of reading and mathematical skills is inhibited, creating serious and cumulative difficulties in subject matter learning and social adjustment in later elementary or high school, and contributing in major ways to the higher dropouts and delinquency rates among low-income youths. Poor schools in low-income neighborhoods have fewest resources to identify and meet the needs of disadvantaged poor children.

--The longer such early educational deficiencies remain unidentified and unremedied, the deeper, more "affective," individually tailored and comprehensive educational compensation must be, as the learner's self image, attitudes and relationships with his elders and peers become more damaged and distorted by repeated learning failures.

3. Equalization and Compensation as Alternative Educational Strategies in the War on Poverty.

While these two lines of inquiry and action are not in conflict (indeed in the long run they are complementary and additive) taken separately and in the short run, they have led to two quite different sets of action priorities for Federal anti-poverty and educational policy. Historically, the economic-quantitative analysis for "equalization" prompted the drive for general Federal aid to bring per capita expenditures and related quantitative measures of equality (pupil-teacher ratios, books per pupil, or library space per pupil) for education in low expenditure states and

up to a more desirable level--to the national averages, or more ideally up to average per capita expenditures of the best States.

Raising average per capita expenditures, however, involves the commitment of Federal funds necessary to equalize the ratios of total educational resources to total number of learners or class of learners and would require an enormous investment. For example, to raise the K-12 average per capita expenditures of all states to the level of the average K-12 per capita expenditures of New York State would cost an estimated $13.4 billion annually. Furthermore, differentials between low expenditures and high expenditures, and between localities within states, would still remain, leaving education expenditures of poor communities often far below state averages. Most important, the problem of adaptation of content methods of education to the special needs of poor learners would remain unsolved.

On the other hand, the compensatory approach leads to a selective Federal effort to provide relevant and remedial programs to the much smaller number of poor children, youth and adults whose educational potentials have been limited by individual and community poverty factors. Thus, as subsequent cost will show, while per capita expenditure per poor student may be higher, the total cost of compensatory programs is considerably lower, and there is assurance that the educationally deprived poor population will be served by programs that are relevant to their educational characteristics and needs.

Although the heart of the compensatory approach is preventive,

emphasizing the earliest possible correction of the inadequate early learning and stimulation in the pre-school and early grades, remedial compensatory programs for older children, youth and adults who have experiences or are experiencing the frustrations and consequences of educational deprivation failure now constitute a continium of compensatory services. The goals and objectives of the total effort, may be stated as follows:

a. To overcome environmental and attitudinal barriers to learning and to develop the basic cognitive skills as early as possible, in order to obviate or minimize the need for special treatment in subsequent learning situations and to insure attainment and continuance of children and youth in school.

b. To develop those cognitive and social skills and command of relevant bodies of knowledge that permit young adults and mature learners to take their places in a democratic society, to share in the economic opportunities (including jobs and job training), to participate in community affairs, to establish and maintain stable homes and families, and to provide for the physical, social and intellectual well being and development of their children.

c. To develop that combination of cognitive, social and occupational skills and command over relevant bodies of knowledge that permit individuals to absorb and use, through time, the information required to function in a rapidly changing social and economic and technological environment.

4. National Needs for Compensatory Educational Programs.

Given the Federal adoption of the abolition of poverty as a national objective and the selection of the compensatory educational approach, the dimensions of the national need for compensatory programs rest on the numbers and characteristics of poor children, youth and adults requiring preventive or remedial services, less the numbers already served by existing Federally aided programs. Estimates of the universe of need are as follows:

--Children, aged 3-5 living in poor families. Most of these children need pre-school compensatory education to remedy the inadequacies of their home learning and to prevent cumulative lags in their subsequent education progress. Of these approximately 500,000 are in kindergarten or other non-Head Start programs. . . . . 3.0 million

--Poor in-school children 5-15 whose early home learning environments and whose poor schools are likely to have caused cumulative learning lags. To remedy these early deficits requires compensatory measures in the form of additional services or the "tailoring" of the total learning environment. . . . . 8.0 million

--Poor in-school youth, 16-21 with cumulative learning lags and/or little support for educational attainment at home need compensatory education to assure achievement and financial assistance to assure education continuation. . . . . 1.3 million

--Poor in-school youth, 14-21 with cumulative learning lags with need for financial assistance. . . . . 2.2 million

--Poor unrelated individuals, 16-21 not in school. . . . . .4 million[1]

--Youths, 16-21 unemployed, underemployed in poor families not in school. 1.7 million

1 This estimate is an approximation based on the 1960 Census of Population.

These youths are primarily in need of vocational training, but many have serious differences in basic skills and disciplines requiring compensatory services. Many of these youths also share the needs of the following groups.

-- Poor mothers with children 3-5 who need parent education programs. Such programs linked to Head Start would combine basic literacy training with problems of their everyday life, such as child development, nutrition, family planning and home management. All of these elements will enable mothers to improve the educational environment of the home and at the same time reinforce the school learning experiences of their children. An estimated 31 percent of the parents need basic literacy training. . . . . <u>1.9 million</u>

-- Poor mothers of children age 5-15 (but with no children under 5) who need parent education and other programs linked with basic literacy. Such programs would be geared to up-grading their basic education in order to improve home learning environment of their children and improve their own physical and emotional well-being . . . . <u>1.2 million</u>

-- Poor fathers and mothers age 22-55 with children 0-15. These parents need vocational education combined with basic literacy or other forms of compensatory general education which are necessary for job up-grading and higher earnings . . . . <u>5.6 million</u>

-- Poor unrelated individuals, male and female, 22-54, who need vocational education combined with basic literacy or a general continuation of education which is necessary for

job upgrading and higher earnings . . . . <u>1.5 million</u>

--Poor adults and out-of-school youths who need basic literacy combined with civics and other functional forms of social science if they are to be effective participants and political leaders in the upgrading of poor communities . . . . <u>1.0 million</u>*

Tabulations, 1 through 8, compiled from 1964 Current Population Survey show bars for these estimated universes of need.

In the above clientele groups there are more than 15 million poor adults -- mothers, fathers, other poor family members who have various, sometimes multiple, needs for compensatory education related to effective performance of their functional roles as parents, bread-winners and citizens. It is estimated that 11 million of them need basic literacy programs.

Existing Federal programs for providing compensatory educational services to the poor clienteles are indicated by Tables 1 and 2. In examining the distribution of Federal effort to provide compensatory programs, the lack of aid to programs for adults is striking. By 1972, it is estimated that adult literacy programs under Title II B will reach about a half million persons per year. Furthermore, the quality of these literacy programs leaves much to be desired. Programs are sporadic, and in many cases are available only at night in local elementary or secondary schools. No systematic evaluations are as

* Number based on estimate of percentage of poor adults who should be involved in combined basic education and training for community leadership roles.

yet available to determine the effectiveness of instruction, materials, or methods. Most important, instruction in basic disciplines (reading, math, etc.) is rarely combined with other substance and skills needed by poor adult workers to increase earnings, or to function more effectively as parents, consumers, and citizens.

If Federal programs to provide compensatory education services to poor learners are to be effective, these programs must be coordinated to achieve maximum mobilization of existing resources, program linkages and reinforcements at both Federal, state and local levels. Section 611 of the Economic Opportunity Act of 1964 authorizes the OEO to obtain the necessary information about programs that are actually or potentially relevant to anti-poverty programs and objectives. Hence, the analysis and recommendations in the Multi-Year Federal Anti-Poverty Plan for education, proposes increasing coordination of OEO programs and multiple authorities and funds administered by the Office of Education, including funds for provision of educational services under Title I of the Elementary-Secondary Education Act of Title I, and Title II B of the Economic Opportunity Act of 1964, as administered by the OE, and numerous other authorities and funds (including Higher Education, R & D Teacher Training, Student Assistance, etc.) that strengthen the capability of local schools and colleges to carry on or provide support to educational programs for poor children, youth and adults.

It is important to note that vocational training for poor adults under MDTA, NYC, out-of-school programs, and Work Experience programs will require increasingly heavy inputs of basic literacy and upgrading of

basic educational skills. It is therefore important that institutions providing adult basic programs constitute an educational resource for these manpower programs by providing the basic education service components required, tailored and integrated with the vocational training given.

At the state and local levels, effective coordination of compensatory adult out-of-school youth programs and programs for in-school children and youth sets a task that often exceeds the administrative skills and vision of administrators of public and private education, health, welfare and manpower programs. These sectors have tended to act independently of each other, often resulting in duplication of effort and expensive facilities, while providing fractured and inadequate services to their clientele. Efforts to coordinate the war on poverty at the Federal level will achieve little result unless the quality of administration in the OEO CAP CAAs and the various sectors of local services is improved and the sights and skills of their administrators raised. The establishment of a training course for anti-poverty administrators in the University of Wisconsin is a just step in this direction.

In addition to the establishment of CAP CAAs as a local coordinating mechanism, it is necessary for the Federal government to contribute to creation of a body of knowledge and experience in the administration of concerted anti-poverty undertakings at the local level.

5. State of the Compensatory Education Art: Limitations of Present Knowledge

Compensatory Education is essentially still in an experimental stage of development. Until the early 60's, compensatory education was a

matter of a few small-scale behavioral science research projects. Because financial support for education research has been so small, however, effectively controlled experiments have been small-scale, usually carried on by individual researchers and usually dealing with a single element of a multi-element learning situation. When the Ford Foundation funded the Great Cities projects in eleven big-city school systems, it was directed toward action on the crisis of the slum schools. Emphasis was placed on developing action programs to meet this crisis. Little systematic evaluation has yet been forthcoming from the great cities experiments, and one suspects little evaluation has been done. So far, the War on Poverty has not added much rigor to evaluation, but it has vastly increased application of a wide variety of substantially untested compensatory techniques.

Evaluation is complicated by the multiplicity of positively correlated education input involved in various compensatory programs. A list of a few of the wide variety of education inputs that have characterized compensatory programs will illustrate how inchoate and inconclusive is the state of compensatory education. A catalog of the Great Cities projects, plus the OEO-funded undertakings, would include the following kinds of projects:

-- Projects to improve teaching through changes in teacher attitudes and teacher training.

a. Theoretical training for teachers to help them understand the social and economic characteristics of the poor, either in-service or pre-service.

b. Practical or clinical training for teachers, in-service or pre-service, including extended supervised internships.

c. Specialized in-service or pre-service training for teachers in use of particular new compensatory techniques, such as team teaching, upgraded classrooms, use of sub-professionals and aides to allow individual attention to learners and permit variation in rate and style of learning among poor learners.

d. Changes in staffing patterns and/or improvements in staff/student ratios by the introduction of new sub-professional aides and teacher teams. This is done with or without the introduction of ungraded classrooms, and with or without the use of programmed learning materials or equipment. Some projects have experimented with the increased use of specialized professional services, such as clinical psychology; additional counseling, guidance and psychometrics; psychiatric treatment; school social work; provision of professionals specializing in teaching materials; and teachers' helpers.

e. Measures to improve personnel practices of schools. Devices such as merit increases, salary differentials for specialized preparation and experience, and the establishment of requirements for experience with low-income students as a prerequisite for senior teaching status and salary increments are used to provide incentives and rewards to experienced and creative teachers for special training in working

with low-income students.

--Curricula development and/or adaptation.

a. Systematic reshaping of curricula geared to different levels of home learning and learning readiness. These allow differential starting points in learning which are directed to the needs of individual students.

b. Emphasis on fundamental cognitive processes and language skills to compensate for non-verbal quality of poverty home environments.

c. Emphasis on early childhood and pre-school remediation.

d. Systematic adaptation of learning content and methods to take account of vocabularies, styles, experiences and social values of the "poverty culture" in making the ends of learning relevant to poor learners.

e. Inclusion of the emphasis on the arts, as (1) a lubricant to learning, (2) a means to self-esteem, and (3) a way of recognizing and acting out emotions.

-- Teaching Methods.

a. Development of methods and associated techniques for individualizing instruction, such as the use of small group situations and direction of peer group influences to increase motivation and learning. Such changes in turn, entail changes in staffing patterns and in the teacher's role, as they involve team teaching, ungraded classrooms, use of individualized learning materials, and other techniques mentioned above.

b. Use of role playing, activities and games which capitalize on

the often highly developed motor skills of poor children. Concrete experiences and activities are used as an approach to abstract concepts and to induce development of generalized cognitive processes and skills, again selected to maximize symbols of the non-poor world.

c. Emphasis on individual rather than conventional goals in developing curricula. This type of curriculum development is geared to the purpose of providing for accomplishments by all learners, helping to build self-esteem, and eliciting articulation of feelings about self, family, and the alien non-poor world. Innovations have included such things as the re-organization of time and space in the classroom to adjust to differences in learning speeds and need for movement among poor children, and the crucial consideration of the differences in the accepted rewards and punishments of the poverty world as a basis for imposing disciplinary and behavior limits.

-- Special Materials Development for use in individual-group situations such as texts, programmed learning units, films and other audio-visuals employing situations and vocabularies that are familiar to the learner and drawn from his experience.

-- Facilities -- Arrangement of space and equipment in ways that permit learning-by-doing. Examples include provision of more and more flexible general classroom space, conductive to small groups or individual learning situations; the provision of more highly equipped space -- laboratories, shops, libraries, etc.

Emphasis on an aesthetic school environment.

Provision of study space and availability of books throughout school to compensate for the lack of opportunity to study or read at home.

-- Supplementary Services

a. Provision of school breakfasts and lunches.

b. Establishment and expansion of school health programs, including health examinations and referral, and follow-through for both mental and physical treatment needs.

-- Administrative Adaptation

The concept of compensatory education demands administrative and policy coordination of the many education factors it involves. Yet there is little evidence of research or experimentation which would train educational administrators how to establish the administrative climates and develop administrative techniques required to make either pilot or operational scale undertakings effective. Furthermore, there has been little attempt to extend demonstrations to system-wide compensatory undertakings. Perhaps this lack of experimentation in administrative aspects of compensatory education is a clue as to why compensatory education remains in essentially a pilot or provisation stage.

-- Parent Involvement and Community Coordination

a. Programs to ensure continued, face-to-face communication between counsellors or school social workers, teacher and parents in group activities that are auxilliary to compensatory programs for children.

-- Financial Assistance to low-income students to enable them to stay in school, either in the form of academic stipends or part-time employment.

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6. Summary of the Current State of the Art

The significant thing about this ten year, many-faceted experimentation with a variety of compensatory programs is that no measures of effectiveness for single elements or for combinations of elements of the compensatory approach have really been established. Without such measures, no evidence of success, or lack of success, can be separated from a Hawthorne effect, and the capacity to replicate success be assured. Today, the state of compensatory education stands very much where it was in the middle fifties.

The extreme right-hand columns of Table 1 and 2 of the Appendix summarize what is known about the various compensatory programs and program elements on increased learning by disadvantaged learners.

B. New Programs and Program Emphases

1. General Organizational Recommendations

The need for evaluation of the many elements and element mixes in compensatory education is a crucial requirement for further progress and effective future programming. In every existing educational program or education component of the anti-poverty effort, whether administered by OEO, Department of Labor or HEW, it is recommended that significant resources be committed to in-depth evaluations designed to establish the quantitative and qualitative results of the various compensatory inputs and input mixes. In established programs (including Head Start, CAP programs for in-school children and youth, out-of-school youth and adults, NYC in-school, educational components of NYC out-of-school programs, Job Corps and migrant) this will involve the selection of representative projects to serve as evaluation pilot operations. Evaluation should include development and testing of improved evaluation instruments, including tests, structured observation of behavior, cohort studies with control groups and any other evaluation techniques that will contribute to the substantive educational assessment of programs and program elements.

In new programs, or with respect to evaluation of new techniques, curricula, material or methods developed for new or established programs, rigorous testing and evaluation processes must be included in the program development designs. This would apply especially to curricula, materials, methods, teacher and staff training to be developed for the Head Start Parent

Education program and for other adult basic education programs to be based in adult learning centers and integrated with vocational education consumer and civic education, etc.

The need for systematic development of "tailored" educational content methods and materials is a second crucial requirement for effectiveness of compensatory programs for all age levels and clientele groups. Without such a development effort the best intentioned and most needed programs will bog down in improvisations that don't pay off. Hence, significant allocations of funds are recommended to develop curricula, materials for students and for teacher training in both new and established educational programs, again using selected representative projects as developmental laboratories. Such additions to knowledge and to program resources will, when tested, constitute program packages to support rapid expansion of high quality educational services to the need groups for which they were developed, whether such services are administered under CAP or carried on by schools under Title I.

The creation of new community-based institutions for adult compensatory programs constitute the third major organizational need for the anti-poverty educational efforts. The scale of the need for adult compensatory demands an appropriate institutional base be created to provide adult basic education in conjunction with various functional adult programs needed by low-income adults, including vocational training, parent education, homemaking, consumer education and family financial management, health education civic education and leadership development.

At present, only a fraction of the poor adult universe is being served,

even in make-shift fashion, through the ad hoc arrangements. Sporadic programs constitute only minor concern and commitment of resources on the part of organization now carrying out such programs.

It is recommended, therefore, that new type multi-purpose adult community learning centers be created, to provide continuity and a priority commitment to serving the multiple educational needs of poor adults. The most desirable model for such an institution is that of the "Comprehensive Community College" where remedial basic education is integrated with vocational training and upgrading, parent education and/or other functional adult education programs. At present, "Community Colleges" are being rapidly expanded as part of the public education systems in many states. In some cases, these colleges already include adult compensatory components, but financial resources and appropriate content and methods for this purpose have been very limited. OEO funds for development and demonstration of appropriate programs and for staff development and training would be timely in providing patterns that could be widely replicated in this rapidly expanding type of institution. Expansion of the OEO demonstration to operation scale, should, however, be the responsibility of the Office of Education under a combination of its adult education and higher education authorities.

The advantages of the inclusion of an adult compensatory component in a comprehensive community college are as follows: Such institutions would -- Bring the educationally deficient adults into contact with a community institution that can serve his <u>multiple</u> needs for knowledge and skills -- domestic and social as well as occupational.

Bring educationally deficient adults into contact with an institution that can serve his continuing educational needs -- for advancement and up-grading after first dose of basic education remediation and occupational retraining, etc.

Bring low-income, socially isolated adults into contact with an institution that serves as a focal point for community improvement and development.

Bring low-income adults into contact with an institution that acts as a bridge to other more advanced higher education institutions.

2. Details and Costs of Proposed Programs

a. Programs for Pre-School Children (3-5)

(1) Head Start -- Annual and Summer

By all evaluation devices, pre-school programs are perhaps the most demonstrably successful of the anti-poverty compensatory education programs. Both testing and structured observation of Head Start children indicate that significant increases in cognitive and social skills are achieved, although these initial increases have been understandably modest for 8-week summer programs. Experience with experimental groups (Deutsch) have indicated, however, that modest initial gains are retained and expanded as the compensatory environment is continued through kindergarten, while matched children without pre-school experience and sustained compensation in early grades show the cumulative deficits in kindergarten and first grade.

The proposed levels for summer and annual Head Start programs have been set to provide maximum continuity for the children involved, and to

take into account estimated compensatory programs provided by other programs, mostly for five-year olds.

The summer program is projected at 600,000 children per year. The annual Head Start program will be expanded to meet and provide longer sustaining pre-school programs. At the 750,000 annual level (FY 1972), about three quarters of the poor children going into kindergarten and the first grade could be given a full year of Head Start. Program guidelines will indicate that older needy children should be given preference in the full year program where compensatory kindergartens are not available. It is recognized, however, that not all poor homes are deprived in the same way and that some three-year olds should be given a sustaining annual program during all three years (3-5 years). To permit flexibility in meeting needs of 3 and 4 year old children, local option will be recognized within the general guidance that needy 4 and 5 year old children be given preference. The following calculations show the Head Start universe of need:

Total poor children 3-5 years	3,000,000
Less poor children covered by other programs1/	500,000
Total poor children not covered by a program	2,500,000
Children to be covered by Head Start (assume 80% coverage)	2,000,000
Plus 10% non-poor children	200,000
Total children in program	2,200,000

1/ It is assumed that Title I ESEA will not cover pre-school children.

The following tables show the portion of the universe to be covered, by [illegible]

rs, and the projected costs:

Children Covered:	FY 68	FY 69	FY 70	FY 71	FY 72
Summer Children	600,000	600,000	600,000	600,000	600,000
Annual Children	350,000	450,000	550,000	650,000	750,000
Spaces (Annual Program)					
Ready	200,000	200,000	200,000	200,000	200,000
Renovated	150,000	250,000	350,000	350,000	350,000
Constructed				100,000	200,000

Costs:

Unit Costs

Summer	Annual Operating	Renovation	Construction	Training1/	Additional Equip.2/
$200	$1100	$133	$2000	$80	$67

ojected Costs

	FY66	FY67	FY68	FY69 (Millions)	FY70	FY71	FY72
Total Costs	$201	$327	$569	$882	$996	$902	$1,016
Prog. dev. & eval.	$ 6	$ 6	$ 26	$ 30	$ 30	$ 30	$ 30
Training	$ 15	$ 16	$ 20	$ 22	$ 26	$ 30	$ 34
Construction	-	-	-	$200	$200	-	-
Renovation	-	3	12	10	10	-	-
Additional Equipment2/	-	-	6	5	5	7	7
Annual Operations	79	212	385	495	605	715	825
Summer	101	90	120	120	120	120	120

1/ This unit cost for training is per child for whom teachers must be trained. The average unit cost per teacher trained is $975, for a mix of 2-week and 8-week sessions.

2/ Additional equipment is for facilities which have undergone construction or major renovation, and the cost is related to the children occupying such facilities. For other children, $33 for equipment is included in the $1100 operating cost.

(2) Migrant Day Care

The organization of pre-school and day-care services for children of migrants constitutes a special problem. In user states, the migrant program will continue to provide child care and pre-school services for younger migrant children while their parents work in the fields. In home base areas, there will be some pre-school programs for migrant children. However, wherever possible, Title II funding alternatives will be used in preference to Title III-B, which will be reserved for reaching the very young child not eligible for pre-school programs.

Numbers of enrollees and unit costs of day care and pre-school programs funded under Title III-B in the next five years are as follows:

	1968	1969	1970	1971	1972
Enrollees	17,000	26,000	37,000	47,000	60,000
Unit Cost	$ 300	$ 300	$ 300	$ 300	$ 300

b. Programs for In-School Children and Youths (5 - 21)

(1) Neighborhood Youth Corps (In-School and Summer Programs).

The basic purpose of the NYC In-School program is to provide the financial incentives for poor secondary level students (16 years of age and over) to continue and complete their high school education. Secondary objectives would include orienting socio-economically deprived youth to the world of work, and affording these youth with the "sense of balance" which is achieved when the pursuit of education is complemented by a work situation.

The basic design of the program therefore involves providing job

opportunities for poor youth, on a part-time basis during the school year and full-time over the summer months. Jobs are predominately in and about the school setting. The program provides only for enrollee wages and associated program and administrative expenses; it does not directly provide for additional counseling or remedial education assistance. The project sponsors -- mainly school systems -- are encouraged to augment existing counseling and remediation services and to make these increasingly available to this most disadvantaged segment of their student bodies. Title I of the Elementary and Secondary Education Act provides considerable impetus and funds for schools to provide these counseling and remedial services. Present NYC In-School program activities are predicated upon these services being provided in this manner, thereby making other NYC assistance for these purposes unnecessary.

The ability of the present program design to meet the stated objectives has not yet been quantitatively proved. To date, the typical enrollee's participation in an NYC project has been brief, making any attempt to establish a demonstrable cause and effect relationship between school retention, school performance and other positive behavioral changes and his NYC participation somewhat premature. However, a recent contract survey of a small national sample of NYC In-School enrollees indicated that 13% of those who had terminated from the NYC project also dropped out of school. In addition, over one-third of active enrollees interviewed stated that their chances of finishing school had not really improved by NYC. These limited findings are hardly conclusive and must be counterbalanced against the observations of sponsors, school principals, teachers

and counselors that NYC enrollees generally show improvement in attitude, appearance and behavior, and often in-school performance and attendance. These findings do, however, stress the need for evaluation and research connected not only with a determination of whether the present design can reduce poor youth dropout rates, but also with the concurrent development of better program designs. Evaluation and initiation of experimental research and development projects will provide this information and indicate new program approaches with the first results available in early FY 1967.

An immediate change that is recommended, however, is the lowering of the eligibility age for enrollment in the NYC In-School program from the present 16 year lower age limit to 14. A 1963 study (BLS Special Labor Force Report No. 46) indicated that over 1/3 of all dropouts leave school before age 16, and an additional 30 percent leave at age 16. It is incumbent upon the program, therefore, to reach those youth who are potential dropouts at an earlier age, if a real impact is to be made on the youth's decision to leave. In order to effectively reach this younger age group, it may be necessary to change the basic reward mechanisms from wages for work performed to one of direct incentives for better grades and improved attendance. Research will be undertaken to prove the feasibility and desirability of this approach.

The universe of need for this population of 14-21 year olds is estimated to be a constant 2.2 million poor youth over the years of FY 1968-72. The proposed program levels for the In-School and Summer programs are calculated to gradually increase until a total of 50% of these youth are reached by the program in FY 1972. Until this level of 50% is achieved, the mix of

programs is projected to be (1) a regular school year program with a complementary Summer program of equal size; and (2) a Summer-only program of substantial magnitude. The need for special summer efforts in major urban areas should continue until a sufficiently large proportion of the total universe is being affected by the regular school year/summer program.

Program Levels

Despite increases in the minimum wage level that may result from current debate within Congress, there appears to be no direct reason for increasing the wage level for enrollees from the present $1.25 per hour. The increase in the wage level in the out-of-school program and the National Youth Training Program will of course enlarge the pay differential between these in-school and out-of-school programs, thereby giving rise to thoughts of added incentives for youth to drop out of school. The major reasons for this differential is not, however, an increase in the basic rate. It is, rather, the number of hours worked. It would not be desirable to increase the present hours limit for In-School enrollees above the present 15 hours per week.

School Year Program	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Enrollment Oppor. (000)	115	125	180	300	500	600	740
Enrollees (000)	187	200	270	450	750	900	1,100
Unit Cost (Per Oppor.)	$ 650	$ 650	$ 650	$ 650	$ 650	$ 650	$ 650
Total Prog. Cost	$ 75M	$ 81M	$ 117M	$ 195M	$ 325M	$ 390M	$ 481M
Prog. Direction	$ 1M	$ 2M	$ 2M	$ 3M	$ 6M	$ 6M	$ 7M
GRAND TOTAL	$ 76M	$ 83M	$ 119M	$ 198M	$ 331M	$ 396M	$ 488M
Summer Program							
Enrollment Oppor. (000)	221	165	332	457	705	830	913
Enrollees (000)	269	200	400	550	850	1,000	1,100
Unit Cost (Per Oppor.)	$ 430	$ 450	$ 500	$ 500	$ 500	$ 500	$ 500
Total Prog. Cost	$ 95M	$ 74M	$ 166M	$ 229M	$ 353M	$ 415M	$ 457M
Prog. Direction	$ 2M	$ 1M	$ 3M	$ 3M	$ 6M	$ 7M	$ 7M
GRAND TOTAL	$ 97M	$ 75M	$ 169M	$ 232M	$ 359M	$ 422M	$ 464M
Grand Total, School Year and Summer	$ 183M	$ 158M	$ 228M	$ 430M	$ 690M	$ 818M	$ 952M

(2) CAP Remedial and Tutorial

The remedial and tutorial program will provide after-school instruction for poor children ages 14-18 who are underachievers. Programs will be confined to schools and school districts in areas of concentrated rural and urban poverty.

The number of students to be enrolled during the coming years under the OEO program are:

1968	1969	1970	1971	1972
300,000	340,000	340,000	312,000	264,000

Universe calculations are based on a total in-school universe of 2.2 million poor 14-18 year olds, reduced by the recommended number to be served by the Neighborhood Youth Corps in-school program, and then further reduced by a factor of 70 percent to compensate for those children not in NYC who are not underachievers. A further reduction was made to exclude children in rural non-concentrated poverty areas. It is assumed the programs funded under the Elementary and Secondary Education Act will provide necessary programs for poor children in other age brackets, as well as those age 14-18 not covered under the proposed OEO program. Continuation of this program at substantial levels is warrented because of its demonstration function, and in view of relatively small portion (30%) of Title I funds allocated to grades above 6. The resultant universe for OEO remedial and tutorial programs is:

1968	1969	1970	1971	1972
463,000	420,000	348,000	312,000	264,000

As the recommended enrollment figures indicate, the program does not reach

the full universe during the 1968-1970 period but does reach the lower 1971 and 1972 universe. It is not recommended that programs be built-up to meet a short-term requirement.

Furthermore, future program direction will place great emphasis on those projects that contribute new techniques, material and innovative approaches to the art of compensatory education. Thus, the total program will become in effect demonstrations of new methods to be used to meet much larger needs in the school system itself.

Costs are based on an estimated requirement of $150 per student enrolled per year. Total program cost (millions) are thus:

1968	1969	1970	1971	1972
$45.0	$51.0	$51.0	$47.0	$40.0

Because of the demonstration nature of the CAP remedial and tutorial program, it is recommended that $1,000,000 be earmarked for each year -- 1968 through 1972 for necessary research and evaluation. Since the total action program will constitute demonstrations, thus requiring rigorous experimental design and testing, these sums for more analytical research and for evaluation are believed to be adequate.

(3) Programs Under Title I Elementary Secondary Education Act

In view of the need for sustained follow-up of Head Start children into the lower grades of the regular school system, Title I funds should

be directed at this follow-up. Title I should be amended to insure that at least a proportionate share of the funds are directed at grades from kindergarten to fourth.

Projected OE dollar estimates for Title I and the universe of need (Orshansky)[1/] are the following:

	FY 65	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Beneficiaries (000)	7,000	7,000	10,000	10,000	10,000	10,000	10,000	10,000
Title I Funds (mil.)		959	1,070	1,900	2,000	2,200	2,200	2,200
Head Start Dollar Follow-up			407	722	760	836	836	836

This projection of Head Start follow-up dollars has treated kindergarten as a regular school year for all children. Until such time as kindergarten covers all five-year olds, the lower five grade levels will be receiving slightly more than its proportional share of funds.

(4) Educational Services to Migrant Children and Youth

Programs are intended to provide educational continuity for children whose families move from state to state. Elements of the program are special summer schools and after school remedial and tutorial education services.

(5) Upward Bound

Upward Bound is a pre-college program for high school students from poverty families. Operated largely by colleges and universities, it provides a variety of usually campus-based experiences and assistance

1/ OE has estimated the FY 66-67 universe of need at 5.5 based on income of less than $2,000; and FY 68-72 universe of need at 8.5 based on income of less than $3,000.

designed to remedy poor preparation and motivation in secondary school and thereby increase a youngster's chance of acceptance and success in college or other post-secondary institutions. The underlying assumption of the program is that participation in higher education constitutes one of the most effective exits from poverty, providing as it does, highly paid professional and sub-professional occupational skills as well as social skills and status. Entry focus of the program is on 10th and 11th graders, with participating colleges committed to assisting each student to continue his education beyond secondary school with needed financial support, including educational opportunity grants, work-study and loan funds.

The universe of need is estimated at 251,000 students. Of 13 million high school students, an estimated 2.2 million are from poor families. An estimated 440,000 are eligible for graduation annually. Some 65 percent of all graduating seniors go on to some form of post-secondary education; however, only an estimated 8 percent of poor graduates continue their education. For poverty students to continue their schooling at the same rate as the general high school population, the potential universe of need for pre-college programs is 251,000 (65 percent of poor seniors reduced by 8 percent who continue their education without assistance).

A typical Upward Bound program consists of (1) an intensive summer session on a campus, at a unit cost of $735, and (2) an effective follow-up system during the academic year to consolidate gains of the summer session through tutoring, after-school or weekend sessions at an estimated unit cost of $365. Unit cost per annum is therefore $1,100.

Expected output of the program during the five year period is as follows:

	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
College Candidates	33,000	50,000	66,000	83,000	100,000

Projects undertaken by Upward Bound have been highly innovative and experimental. Future program direction will emphasize the demonstration aspects of these experiments, and strive to maximize replicability by strengthening project design, the assessment of inputs and input mixes, and the evaluation of outcomes under experimental conditions.

Relatively few poor youth of this age group and need category are served by Title I of the Elementary Secondary Act, and Upward Bound is complementary and supplementary to higher education student assistance programs.

c. Programs for Adults (18-59)

(1) Head Start Parent Education

The accumulating evidence on early childhood education and educational deprivation points clearly to the importance of the home as crucial to the development of perceptual, cognitive and social skills in the pre-school years. Where parents have the knowledge, the understanding and the time to devote to stimulating early learning, guiding the learning of language and leading their very young children into the processes of

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generalization and use of symbols, the child enters school equipped and "ready" to learn to read, to use numbers and to make and sustain relationships with other children in his class.

Poor parents, educationally disadvantaged themselves and with many pressures on time and energy stemming from low incomes, have little awareness of the need for directing the learning of small children. When the parents are functionally illiterate, as some 10 million poor adults of child bearing, child rearing age are, there is little hope that the children will receive the kind of attention and stimulation they need. Pre-school programs can do part of the job of remediation; but if reinforced by a parent education-basic education program for unaware, educationally deficient parents, the combined impact of conpensatory programs for the children and for the parents will be greatly increased.

It is therefore recommended that an integrated parent education-adult basic education program be linked to Head Start. This would provide parent education primarily to mothers of 3-5 year olds in pre-school programs and would integrate basic literacy and other forms of compensatory basic education (applied math, natural and social science, etc.) with child development, nutrition, health and consumer education. Such education is needed by poor mothers of small children if they are to reinforce at home the progress the child is making in Head Start. Parent and homemaking education is necessary if parents are to maximize the use of income in promoting their own and their children's physical, intellectual and emotional development.

The co-ordinated Head Start and Parent Education Program recommended is planned to reach primarily non-working mothers of Head

Start children simultaneously and on the same site with Head Start. Working mothers could be served by similar programs based on the adult learning centers described below.

The adult literacy element of the Head Start program is projected as a CAP component which will be incorporated into the Head Start program.

Universe of Need (60% of Total) Determined by Head Start Children Program Levels: (Thousands)

	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Total unduplicated parents 1/	35.0	151.5	154,6	157.2	159.5	161.5
Universe to be Covered by Years (Unconstrained)						
Parents - Participation level	42.0	181.8	185.5	188.7	191.4	193.8

Total unduplicated parents was estimated based upon the experience of summer 1965. Program projections were based on the need of the mothers, although fathers would not be excluded from the program. After adjustments for over representation of the non-poor in summer 1965, it was estimated that 31.9 percent of the Head Start mothers need adult literacy. A further assumption was made that 60 percent of these mothers could be brought into the program and kept for an average of 1.2 years. An adjustment was made to take account of the condition that many children will be in Head Start programs for more than one annual or summer program. Since there is more duplication at the higher program levels, the numbers of parents are not proportionate to the program levels of children. As a rough basis for estimating costs it is assumed that all costs are incurred (for 1.2 years) during the year when the unduplicated parent is counted.

1/ "Unduplicated parents" are the unique individuals who are not counted in the program levels for any other year. Each person is assumed to stay in the program an average of 1.2 years; hence the participation levels are higher than the unduplicated parents.

Unit Costs have been estimated, based on adult literacy activities in Adult Basic Education (Title II-B) that the annual cost is $325 per slot with each of the 60 percent of mothers reached staying in the program 1.2 years (the 1.2 years was derived from an estimated 1.6 years average need and a 25 percent dropout rate).

Total Projected Costs for Head Start Parent Education are as follows:

	(Millions)					
	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Operating & Trng. Costs	$ 14	$ 70	$ 66	$ 68	$ 69	$ 69

Costs of the substantial research and development effort necessary to develop appropriate curriculum, student materials and teacher materials are included in the research, program development and evaluation item in costs shown for CAP adult basic education.

(2) Other CAP Adult Education

The major thrust of CAP Adult Basic Education effort will be to (1) develop, test and demonstrate improved institutional arrangements for adult basic education and to develop appropriate curriculums integrating basic education with substantive knowledge needed by poor adults, (2) to provide basic education integrated with vocational training and other substantive education to a substantial number of the universe of functional illiterates, and other poor adults whose exit from poverty can be assisted by educational upgrading as shown on page 42. Both the mission of CAP Adult Basic and the magnitudes of the CAP effort have been carefully related to Adult Basic Education carried on by State Education authorities under II B by the Office of Education and the increasing need to expand community resources for providing more extensive remedial and upgrading services in conjunction with MDTA and NYC out-of-school programs.

(3.) Adult Basic Education (Title II B)

The Title II B Program operates through state and local public school systems. Grants to states are made on the basis of the relative number of adults in each state who have completed not more than five grades of schooling. Specific objectives of this program are to develop an ability to read and comprehend at an eighth grade level and to develop associated writing, arithmetic, and speaking skills.

This program has been slow in getting underway. A significant buildup of the program took place in the last half of FY 1966, however, and by FY 1968 this program should be able to expand significantly as indicated on page 43.

Taken together, by 1972, the CAP Adult Basic, IIB Adult Basic, and the Head Start Parent Education program will serve the universe of adults with less than 8 years of schooling. If, as earlier described, combined adult and higher education efforts were directed to expanding the CAP demonstration of compensatory programs in comprehensive Community Colleges, some 5 million more poor adults could receive the education required for occupational upgrading and for more effective civic performance.

Estimates of universe, program and costs levels of the three adult programs are as follows:

Numbers to be served

Universe (unconstrained)

Total poor, ages 18-64, with less than 8 years' schooling (in thousands)			10,919
Less:	Disabled and institutionalized	2,400	
	Non-federal program recipients	1,000	
	MDTA, Job Corps, Work Experience	1,600	
	Persons ages 60-64	1,600	
		6,600	
	Residual universe		4,319

Title II-B - 2,159
CAP - 2,159

The following numbers of persons (in thousands of output units) are

ɛpected to be served by year through these programs:

	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Title II-B	234	86	170	340	402	452	476
(CAP Totals)	47	(95)	(212)	(275)	(397)	(560)	(573)
Adult Head Start	0	35	152	155	157	160	161
CAP Adult "Other"	47	60	60	120	240	400	412

Gross Costs (Dollars in Millions)

Program Operation

	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Title II-B	$35.5	$30.0	$71.3	$142.6	$168.4	$189.4	$199.4
Grants	34.2	28.0	66.3	132.6	156.6	176.1	185.4
Teacher Training	1.0	1.2	2.9	5.7	6.7	7.6	8.0
Admin.	.3	.8	2.1	4.3	5.1	5.7	6.0
CAP Adult Education	$17.0	$41.7	$95.2	$120.2	$175.1	$249.5	$250.6
Head Start Parent Educ.	0	13.7	69.6	66.4	67.5	68.5	69.4
Operations	0	13.7	59.1	60.3	61.3	62.2	63.0
Teacher Training	0	0	10.5	6.1	6.2	6.3	6.4
CAP Adult Basic	17.0	28.0	25.6	53.8	107.6	181.0	181.2
Operations	17.0	23.3	23.3	46.8	93.6	156.0	160.9
Teacher Training	0	4.7	2.3	7.0	14.0	25.0	20.3

d. Research Development, Demonstration, and Evaluation

(1.) Head Start, Research and Demonstration

Research and demonstration in the area of early child development will be needed over a period of several years. The FY 1968 estimate of $26.0 million is based on a unit cost of $73 per child. Later years' costs are projected at $30.0 million to carry on a continuous research and demonstration effort in areas as:

a. To determine more fully the meaning of success and failure with Head Start children, and instruments for measuring success.

b. To determine the relationships of child success with program component mixes.

c. To perfect the components which are needed in varied community situations.

d. To develop teaching aids and related materials used in meeting the needs of the children.

e. To determine procedures and techniques for teacher and other staff development.

f. To perfect techniques for involvement of volunteers.

g. Follow-up on Head Start gains and development of program to augment gains in regular school programs.

	FY 66	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
				(Millions)			
R & D	$ 6.0	$ 6.0	$26.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0

(2.) Neighborhood Youth Corps: In-School

Research and demonstration are needed to relate different combinations of program components to program accomplishments. Program

accomplishments will be measured in terms of such things as improvements in attitude, appearance, and behavior and in academic performance and attendance in school.

	FY 68	FY 69	FY 70 (Millions)	FY 71	FY 72
NYC	$ 1	$ 1	$ 1	$ 1	$ 1

(3.) Community Action Programs

Community Action Programs cover Head Start Parent Education and CAP Adult Basic Education.

(a.) Head Start Parent Education

Research and demonstration for Head Start Parent Education will provide for a program of on-site development and demonstration of successful innovating methodology, teaching aids and techniques. Successful operations can be double-staffed (one staff member observing and learning) to proliferate successful operations to provide training for CAP teacher trainees. These activities are funded heavily during FY 67 and FY 68 and discontinue after FY 1969 because the community colleges R&D program and on-the-job training will support innovative activities in this area.

	FY 66	FY 67	FY 68	FY 69 (millions)	FY 70	FY 71	FY 72
R & D	--	--	$ 5	$ 5	$ 5	$ 5	$ 5

(b) Other CAP Adult Education

Research and development will be directed toward development of appropriate innovative curriculum, materials, methods, etc., to support adult programs to meet the functional needs of poor with educational deficiencies. The following areas are suggestive:

(1) Parent Education integrated with literacy and other compensatory basic education would be available daytime and evening for all parents not served by the linked Head Start and parent education program proposed above. There should be a concerted effort to involve fathers in such parent education; carefully designed programs designed to relate to interests of poor fathers should be developed in pilot demonstrations.

(2) Daytime and evening homemaking and consumer education integrated with basic literacy and other basic education compensatory levels would serve childless, poor women, wives, female family heads and unrelated individuals whose educational needs are not primarily related to rearing of children.

(3) Daytime and evening vocational education programs integrated with basic literacy or other levels of compensatory basic education to meet the pre-employment or upgrading needs of the following kinds of people:

(a) Poor male family heads

(b) Poor working wives and female family heads

(c) Poor adult unrelated individuals, male and female

(d) Poor employed unrelated individuals, male and female

Daytime and evening programs in civic and other functional forms of the Social Science integrated with basic literacy and more advanced (high school equivalent, or junior college courses) levels of compensatory education, designed to contribute to the development of leadership in poor neighborhoods.

A variety of individual compensatory programs -- including tutorials, education and vocational counseling, and guidance -- to serve poor out-of-school youth and adults and provide a bridge to conventional higher education for the poor with talent and aspirations, should offer services which furnish high school equivalency and which facilitate transfers to academic post-secondary and higher education institutions.

	FY 68	FY 69	FY 70	FY 71	FY 72
R & D	5	5	5	5	5

Thus R & D dollars drop off after FY 1970 because of the increasing role of community colleges R & D and the on-the-job training program.

(c.) Community Colleges, R & D

It is proposed that research and demonstration for the community colleges be started in FY 1967 to the extent that resources will permit. Some tie-in in 1967 may be feasible in non-OEO projects of this type being undertaken around the country. At least 5 centers (not necessarily the same ones) will be funded extra for research and demonstration activities in 1968. Community college activity will be closely coordinated with and support local research and demonstration as well as teacher training in university based centers. In addition to the 5 research and demonstration centers, centers will start regular instructional activities starting in FY 1968. The operational centers will be funded out

of funds allocated for training under "Other CAP Adult Basic" or Head Start Parent Education. The schedule of build-up is projected as follows:

R&D Community Colleges	5	5	5	5	5
Number of Adults	5,000	5,000	5,000	5,000	5,000
Dollar (Mil) (Operations)	2.5	2.5	2.5	2.5	2.5
Dollars R&D	7.5	7.5	7.5	7.5	7.5
Total R&D Community Colleges	10.0	10.0	10.0	10.0	10.0

The R & D Community Colleges are assumed to have a capacity for 1,000 adults who would attend an average of 6 hours of classroom backing a week. The unit cost of $2,000 per adult has been allocated as $500 for training and $1,500 for related R & D activities. Curriculum material methods developed would constitute packages for adaptation use in all other adult education undertakings.

(4) Adult Basic Education - Title II-B

Ten million dollars ($2 million annually) is planned for research and demonstration in Adult Basic Education carried on under Title II-B between FY 1968 and FY 1972. The most pressing need is a definition of the illiterate population in the United States. Aside from obtaining information on the number of illiterates in the United States, where they live, and their socio-economic characteristics, studies should be made on the amount of literacy training required to qualify individuals for jobs or training programs of different levels of complexity. The causes of illiteracy should also be examined and related to the content of programs we have underway. Cost analysis should be made of the various techniques used in literacy training. In addition to research studies such as these, a constant evaluation effort should be maintained to

identify program problems and find better ways to serve the adult illiterate.

	FY 68	FY 69	FY 70 (millions)	FY 71	FY 72
R & D	$ 2	$ 2	$ 2	$ 2	$ 2

TABLE I

SUMMARY OF FEDERALLY FUNDED COMPENSATORY EDUCATIONAL SERVICES AND FINANCIAL ASSISTANCE TO THE POOR

KIND OF PROGRAM	FEDERAL AGENCY AND AUTHORITY	BENEFICIARIES (thousands) 65	66	67	FUNDING (millions) 65	66	67	IMPACT ON LEARNING OF DISADVANTAGED: Experimental (Controls)	Operational (Norms or Judgments)
Pre-School Children (3-5)		$561,000	580,000	500,000	$85	$195	$321	Deutsch--modest gains of pre-school year were retained and expanded in K and 1st grade. Control groups suffered cumulative slippage in K & 1st grade.	1% survey showed gains, 5 points on non-verbal tests of intelligence. No retention data available yet.
Head Start (Summer & Annual)	OEO-CAP	20,000	180,000	210,000					
Migrant Day Care	OEO-CAP		5,000	9,000		1	3		
Other Pre-School programs	OE, Title I, ESEA			See below	---	See below	See below		
	Pre-School only		60.0						
	Pre-School and Kindergarden		348.0						
In-School Children & Youths (5-21)									
Compensatory, remedial tutorial programs in schools and complementary to schools	OEO, CAP Education Components (including Upward Bound)			302.0	---	---	74.0		Scattered evaluations, largely subjective. Tutorials and Upward Bound projects show most observers think these experiences beneficial.
OE ESEA	OE-ESEA Title I	---	6,600.0	7,000.0	---	959	1,070	Systematic evaluation in planning stage. No info. as yet.	Preliminary analyses of 500 project sample showing types of projects only. No big cities included.
Counseling and Guidance	OE-NDEA, Counseling and Guidance	(2,800.0)	(3,400.0)	(3,600.0)	(156.2)	(209.4)	(209.7)	N/A	Descriptive and judgemental evaluations and periodic administrative assessments.
Vocational Education	OE -Voc. Ed. Act of '63								Preliminary studies indicate
NYC in-school work programs	OEO-Labor-EOA	102.2	187.0	200.0	28.4	76.0	83.0	N/A	Increased attendance and retention in school, but slight negative impact on academic achievement.
NYC Summer Program			269.0	200.0		97.0	75.0		
Work Study -- Voc. Ed.	OE-HEA	114.4 15.0	115.0 85.0	125.0 ---				N/A	---
Opportunity Grants (HE)	OE-HEA	---	115.0	220.0	---	60.8	122.0	N/A	No information.
Higher Ed. Loans	OE-NDEA	---	(400.0)	(375.0)	---	(179.3)	(190.0)	N/A	No systematic evaluation by income level of recipients.
Guaranteed Student Loans	OE-HEA	---	(132.0) 110.0	(775.0) 150.0	---	(9.5)	(46.0)	N/A	No systematic evaluation showing impact on entry, retention, or achievement of low-income students.
Work Study, Higher Education	OE-HEA		60.0 150.0	90.0 210.0		99.9	134.1		

(continued next page)

[illegible] (Continued)

SU[illegible] OF FEDERALLY FUNDED C[illegible] [illegible] [illegible] AND [illegible] TO THE POOR

KIND OF PROGRAM	FEDERAL AGENCY AND AUTHORITY	BENEFICIARIES (thousands) 65	66	67	FUNDING (millions) 65	66	67	IMPACT ON LEARNING OF DISADVANTAGED Experimental (Controls)	Operational (Norms or Judgments)
OJT	Labor								
Vocational Education	OE Voc. Ed. Act of '63 etal	(2,281.0)	---	---	(18% of total funding for adult classes)			None	None

NOTE:/ Numbers in parenthesis are total of beneficiaires or total funding, when it is not known how many enrollees actually receive literacy or or other compensatory education, or are poor.

1/ MDTA institutional programs. About 42% of enrollment is under 21 years or age. Twenty percent of these receive compensatory basic education. All of these latter number were counted as poor.

2/ Adults over 22 years of age accounted for 58% of enrollment in MDTA institutional training programs. Again about 20% of these are receiving significant amounts of basic education. All these have been counted as poor in enrollment figures w/o parenthesis.

3/ Does not include basic compensatory. Enrollments often for single evening course.

KIND OF PROGRAM	FEDERAL AGENCY AND AUTHORITY	BENEFICIARIES (thousands) 65	66	67	FUNDING (millions) 65	66	67	IMPACT ON LEARNING OF DISADVANTAGED: Experimental (Controls)	Operational (Norms or Judgments)
Out-of-School Youth (16-21)									
Job Crops	OEO-EOA Men Women	15.6 1.3	25.8 4.2	39.0 6.0	183.0	310.0	221.0	N/A	Info. on basic educational attainment of enrollees not available yet.
NYC out-of-school program	OEO Labor (little basic ed.)	(61.7)	(95.0)	(102.0)	($44.8)	($99.0)	($142.0)		
[1]MDTA Institutional	OE-Labor	10.4 (125)	10.4 (125)	---					See below MDTA
OJT	MDTA-Labor	(---)	( )	( )					
Adult Education									
Head Start Parent Education	CAP - Head Start Adult Literacy will be combined with child & home related subject matter	--	--	35.0	--	--	14.0	FY 67 will be largely demonstration and experimental with the program becoming operational in FY 68.	
CAP Adult Basic	CAP	--	47.0	60.0	--	17.0	28.0		This program will be a combination of adult literacy with related vocational training
Migrant Adult Basic	Migrant (OEO)	--	22.0	30.0	--	13.0	18.0		
Adult Basic Education II-B	OE-OEO	--	234.0	86.0	--	36.0	30.0		In addition to services rendered to II-B participants, services will also be given to those participating under Title V (EOA).
MDTA Institutional Training	OEO-Labor	14.5 (125)	14.5 (125)	--	(No information on funding of programs basic education components)				Four experiments showed average gain of 1.5 grade levels in basic subjects in 15-20 weeks. No systematic information on basic educational attainment of enrollees.

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TABLE 11

SU[illegible] OF EVALUATIONS OF EDUCATIONAL [illegible] FOR POOR [illegible]

PROGRAM	FEDERAL AGENCY & AUTHORITY	FUNDING (millions) 65	66	67	% of Prog. of Poor	PARTICIPANTS (thousands) 65	66	67	PERFORMER	EVALUATION OF [illegible] OF DIS[illegible] Control Groups: Experimental	Operational
I. Staff Development-Inservice										(Control groups)	(Against norms)
a. Professional teachers											
Institutes for in-service teachers Disadvantaged K-12	OE-NDEA Title XI				100		3.0	---	Colleges and Univ. Selected colleges and univer. Teachers Colleges	None	No information how affects poor learners. Subjective type evaluation of teachers institutes based on questionnaires to participants.
Subject matter Institutes for teachers, the Sciences, social science, English, other humanities and arts	OE - NDEA Title XI	---	(34.0)	(40.0)	?		24.0	28.0	Colleges and Univer.	None	"
	NSF - general authority		(---)	(---)	?		---	---	Colleges and Univer.	?	?
Advanced Fellowships for Exp. teachers and impr. teacher ed. programs	OE HEA, Title VC		(7.5) 5.0	(7.5) 5.0	60		2.3	5.8	Colleges and Univer.	New	New
Teachers' Corp Training	OE, HEA, Title VB		13.2	31.4	100		3.7	0.08	Colleges and Univer.	New	New
Institutes for Junior Coll. faculty, science, math, social sciences	NSF, general educ. authority		?	?	?		?	?	Universities	No info.	None
Training of community service staff	OE, HEA, Title I		(10.0)	(20.0)			(100.0)	(200.0)	Urban universities	New	New
Training for educational professional staff	OEO - CAP				100					Greenleigh No significant difference between results with prof. & non prof. teachers	

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Table II (cont'd)

PROGRAM	FEDERAL AGENCY AUTHORITY	FUNDING (millions) 65	66	67	% of Prog. for Poor	PARTICIPANTS (thousands) 65	66	67	INSTITUTIONS	EVALUATION OF IMPACT ON LEARNING OF DISADVANTAGED: Experimental	Control Group
Staff Development-Inservice											
a.Profess. Teachers (con't) Training for JC prof teacher staff	OEO,-JC		?	?	100	?	?	?	In-house program, 3 staff training centers	?	?
Training grants, teachers of handicapped	OE, Mental Retarda. and Conservation Act		(19.5)	(24.5)	?	(6577)	(6577)	(9132)	Colleges and Univers.	?	?
Teacher Trng for ABE	OE-OEO, Title II B	---	---	1.2	70		(1800)	(2160)	?	?	?
b.Aides	OE, Title I, ESEA	?	?	?							
Institut, for teachers Aides	Title XI, NDE		?	?					Colleges and Univers.		Greenleigh study showed effect of Volunteer teachers
c.Volunteers	VISTA				100				Colleges and Univers.		
d.[illegible]	OE, Title I, [illegible] '65	--	?	?					Urban Universities		No information
e.[illegible]											
Trng. Grants for Advance study for Ed. Researchers	OE, Title IV, ESEA	--	(6.8M)	(8.1)	?	---	(.03)	(20)			No information.
Institutes, Counsellor and guidance personnel	OE-NDEA	---	(7.0)	(7.0)			(.072)	(.07)	Colleges and Univers.		No information.
Institutes for Media specialists	OE, NDEA, Title III	--	0	(2.5)	?		0	(0.9)	Colleges and Univers.		No information.
II. Staff Develop. Pre-Service											
a.Professional teachers											
Graduate fellowships to improve or expand prog.	OE, NDEA, Title IV		(59.0)	(81.0)	10	0	0	0	Universities		
Trng. grants for advanced study in ed. rsh.	Coop Rsh Act.		(?)	(?)					Universities		
Inexperienced teacher fellowships	HEA, Title VC	--	---	---	?						

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[illegible]	[illegible]	FUNDING (millions) 65	66	67	% of Prog. of Poor	PARTICIPANTS (thousands) 65	66	67	PERFORMER	[illegible] Experimental	[illegible] Control
III. Curriculum Development											
Compensatory curricula development (includ. math and science)	OEO Cooperative Research (curriculum projects)	(.05)	(17.5)	(20.0)	?	(Not available)			Universities and pro. for learned societies	No controlled experiments with poor learners.	No general assessment of curricula produced, or effect on learning by socio-econ. deprived.
	NSF Science & Math	(15.9)	(18.2)	(21.0)	?						
	OEO - Job Corps	?	?	?							
	OEO - NYC	?	?	?	100						
	OEO-CAP components	?	?	?	100						
	PHS health education curricula research	(5.0)	(7.5)	(8.9)	?				Universities	No information.	No information.
[illegible]	OE-OEO II B Adult literacy	---	.093	1.4	100				No information.		
Adult basic [illegible]	OEO-[illegible] IIB Ad. Bas.	---	2.3	2.8							
Cooperative Research (compensatory remed. materials)	OE-Coop Rsh & Title IV	?	?	?							
Media Research	OE, NDEA	?	?	?							
IV. Combined Support Services	OE, ESEA, Title III Supplementary Services			75.0	1.45	(Not available)			Local School Systems & Cooperating Colleges and Universities.		

(continued next page)

[illegible] II (Continued)

PROGRAM	FEDERAL AGENCY AUTHORITY	FUNDING (Millions) 65	66	67	% of Prog. of Poor	PARTICIPANTS (Thousands) 65	66	67	PERFORMER	EVALUATION OF IMPACT ON LEARNING ... Experimental	Operational
V. Facilities & Equip.											
a. Libraries, E&S	OE-ESEA Title II	---	(100.0)	(105.0)	20						
Libraries, Higher Ed.	OE, HEFA & HEA '65		(---)	(---)	10						
b. HE Instruc. Facilities	HEFA - '63										
Grants to community colleges		(47.3)	(103.9)	(100.7)	10						
Grants to other HE institutions		(177.0)	(359.6)	(357.2)	"						
Grants grad. facil.		(60.0)	(60.0)	(60.0)	"						
Equipment, minor remodeling, E&S Schools	OE-NDEA, Title III	(69.9)	(19.2)	(54.2)							

NOTE: (Figures in parenthesis are amounts not disaggregated to show facilities, development or curricula or compensatory type programs directed to needs of poor.)

TABULATION I.

POOR PARENTS AND POOR CHILDREN IN FAMILIES BY AGE GROUPS OF CHILDREN

(numbers in thousands)

Classification	Parents With Children Under 6	Number of Children Under 6	Parents With Children 6-15 Years	Number of Children 6-15 Years	Parents With Children 16-21 Years	Number of Children 16-21 Years
Poor Mothers in Husband-Wife Families	2,066		2,231		1,163	
Children in these Families		4,233		5,378		1,29[illegible]
Poor Female Family Heads	731		1,1[illegible]		622	
Children in these Families		1,372		2,552		70[illegible]
Poor Male Family Heads	2,095		2,30[illegible]		1,116	
Children in these Families		4,293		5,516		1,354
Other	28		75		40	
Children in these Families		60		139		56

TABULATION 2.

Children Under 6 in Poverty Families

	All Families	Husband-Wife	Female-Headed	Other
Total				
Total	5,664	4,233	1,372	60
Non-Farm	4,9[illegible]	3,596	1,339	54
Farm	676	637	33	6
White				
Total	3,417	2,728	669	20
Non-Farm	2,976	2,294	662	20
Farm	442	434	8	0
Non-White				
Total	2,247	1,505	703	40
Non-Farm	2,013	1,302	677	34
Farm	234	203	25	6

CHILDREN 6-15 [illegible] FAMILIES

	All Families	Hus[illegible]	Female-Headed	Other
[illegible]				
[illegible]	8,049	[illegible]	2,532	139
[illegible]	6,815	[illegible]	2,442	118
[illegible]	1,233	[illegible]	90	20
[illegible]				
[illegible]	4,942	[illegible]	1,331	58
[illegible]	4,149	[illegible]	1,322	49
[illegible]	793	[illegible]	9	9
[illegible]				
[illegible]	3,107	[illegible]	1,201	81
[illegible]	2,667	[illegible]	1,120	70
[illegible]	441	[illegible]	81	11

	Total				[illegible] Force				In Labor Force			
	All Families	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other
Total	1,348	857	453	38	[illegible]	[illegible]	428	35	86	59	25	[illegible]
Nonfarm	1,135	677	435	24	[illegible]	[illegible]	413	21	63	39	21	[illegible]
Farm	213	181	19	14	[illegible]	[illegible]	15	14	22	19	5	0
White												
Total	864	594	249	21	[illegible]	[illegible]	230	18	65	44	19	[illegible]
Nonfarm	[illegible]	479	242	11	[illegible]	[illegible]	230	9	47	28	17	[illegible]
Farm	[illegible]	115	[illegible]	9	[illegible]	[illegible]	0	9	18	16	2	[illegible]
Nonwhite												
Total	[illegible]	264	204	17	[illegible]	[illegible]	198	17	21	15	6	[illegible]
Non-Farm	397	198	187	12	[illegible]	[illegible]	183	12	17	12	5	[illegible]
Farm	87	66	17	4	[illegible]	[illegible]	15	5	4	3	1	[illegible]
[illegible]												
Total	1,300	825	439	36	[illegible]	[illegible]	414	33	82	55	25	[illegible]
Non-Farm	1,098	651	424	24	[illegible]	[illegible]	402	21	60	36	21	[illegible]
Farm	202	175	15	12	[illegible]	[illegible]	12	12	21	18	3	0
[illegible]												
Total	[illegible]	569	247	21	[illegible]	[illegible]	228	18	63	42	19	[illegible]
Non-Farm	713	456	245	11	[illegible]	[illegible]	228	9	45	[illegible]	17	[illegible]
Farm	124	112	2	9	[illegible]	[illegible]	0	9	19	16	2	[illegible]
[illegible]												
Total	463	257	192	15	[illegible]	[illegible]	186	15	19	13	[illegible]	[illegible]
Non-Farm	385	194	178	12	[illegible]	[illegible]	174	12	16	11	[illegible]	[illegible]
Farm	78	62	13	3	[illegible]	[illegible]	12	3	3	2	1	[illegible]
[illegible] in School												
Total	48	32	14	2	[illegible]	[illegible]	14	2	4	4	0	[illegible]
Non-Farm	37	26	11	0	[illegible]	[illegible]	11	0	3	3	0	[illegible]
Farm	11	6	3	2	[illegible]	[illegible]	3	[illegible]	1	1	0	2
[illegible]												
Total	27	25	2	0	[illegible]	[illegible]	2	0	2	2	0	0
Non-Farm	25	23	2	0	2	[illegible]	2	0	2	2	0	0
Farm	2	2	0	0	[illegible]	[illegible]	0	0	0	0	0	0
Non-White												
Total	21	7	12	2	[illegible]	[illegible]	12	2	2	2	0	0
Non-Farm	12	3	9	0	[illegible]	[illegible]	9	0	1	1	0	0
Farm	9	4	3	2	[illegible]	[illegible]	3	2	1	1	0	0
[illegible]	[illegible]	7	12	2			12	2	2	2	0	[illegible]
[illegible]	12	3	9	0			[illegible]	0	1	1	[illegible]	[illegible]
[illegible]	9	4	[illegible]	2			[illegible]	2	1	1	[illegible]	[illegible]

Children 16-17 in Poverty Families

	Total				Not in Labor Force				In Labor Force			
	All Families	Husband-Wife	Female Headed	Other	All Families	Husband-Wife	Female Headed	Other	All Families	Husband-Wife	Female Headed	Other
					Total							
Total												
Total	1,125	688	407	30	830	[illegible]	292	24	296	174	[illegible]	7
Non-Farm	941	520	395	26	707	404	264	19	234	117	111	7
Farm	185	168	12	5	123	[illegible]	7	5	62	57	4	0
White												
Total	696	467	215	14	487	[illegible]	[illegible]	9	209	127	77	5
Non-Farm	582	363	210	9	418	[illegible]	[illegible]	5	164	84	75	5
Farm	113	104	5	5	68	[illegible]	[illegible]	5	45	43	2	0
Non-White												
Total	430	221	192	17	342	173	154	15	87	47	38	2
Non-Farm	358	157	185	17	288	[illegible]	148	15	71	33	36	2
Farm	71	64	7	0	55	[illegible]	5	0	16	14	2	0
					[illegible]							
Total												
Total	917	548	343	26	740	454	262	24	177	94	81	2
Non-Farm	762	403	337	21	625	[illegible]	256	19	137	54	81	2
Farm	155	145	5	5	115	105	5	5	40	40	0	0
White												
Total	560	466	184	9	427	293	125	9	133	74	59	0
Non-Farm	460	374	182	5	361	[illegible]	123	5	99	40	59	0
Farm	100	93	3	5	66	59	3	5	34	34	0	0
Non-White												
Total	357	182	158	17	312	[illegible]	[illegible]	15	44	20	22	2
Non-Farm	302	130	155	17	264	115	133	15	38	14	22	2
Farm	55	52	3	0	49	46	3	0	6	6	0	0
					[illegible]							
Total												
Total	209	140	64	5	90	[illegible]	[illegible]	0	119	80	34	5
Non-Farm	179	117	58	5	82	[illegible]	[illegible]	0	97	63	30	5
Farm	30	23	6	0	8	[illegible]	2	0	22	17	4	0
White												
Total	136	100	30	5	60	[illegible]	[illegible]	0	76	53	18	5
Non-Farm	122	89	28	5	57	[illegible]	[illegible]	0	65	44	16	5
Farm	13	11	2	0	2	[illegible]	[illegible]	0	11	9	2	0
Non-White												
Total	73	39	34	0	30	[illegible]	[illegible]	0	43	27	16	[illegible]
Non-Farm	57	28	29	0	24	[illegible]	[illegible]	0	33	19	14	[illegible]
Farm	16	12	4	0	6	4	2	0	10	8	2	[illegible]

Children 18-19 in Poverty Families

	Total				Not in Labor Force				In Labor Force			
	Total	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other
						Total						
Total												
Total	630	422	196	11	331	212	114	5	300	210	83	7
Non-Farm	516	322	185	9	270	161	105	5	246	161	80	5
Farm	114	101	11	2	60	52	8	0	54	49	3	2
White												
Total	375	281	83	11	186	136	45	5	189	145	37	7
Non-Farm	318	226	83	9	157	107	45	5	161	118	37	5
Farm	57	55	0	2	29	29	0	0	29	27	0	2
Non-white												
Total	255	142	113	0	145	77	68	0	110	66	45	0
Non-Farm	198	96	102	0	114	53	60	0	85	43	43	0
Farm	57	46	11	0	31	23	8	0	25	23	3	0
						In School						
Total												
Total	313	196	110	7	243	146	92	5	70	50	18	2
Non-Farm	261	153	104	5	200	110	86	5	61	43	18	0
Farm	51	43	6	2	43	37	6	0	9	7	0	2
White												
Total	195	145	44	7	143	105	33	5	52	40	10	2
Non-Farm	163	115	44	5	119	81	33	5	44	33	10	0
Farm	32	30	0	2	24	24	0	0	9	7	0	2
Non-White												
Total	117	51	66	0	100	42	58	0	17	10	8	0
Non-Farm	98	38	60	0	81	29	52	0	17	10	8	0
Farm	19	13	6	0	19	13	6	0	0	0	0	0
						Not in School						
Total												
Total	318	226	87	5	88	66	22	0	230	160	65	
Non-Farm	255	169	82	5	70	51	20	0	185	118	62	[illegible]
Farm	62	57	5	0	17	15	2	0	45	42	3	0
White												
Total	180	136	39	5	43	31	12	0	137	105	27	5
Non-Farm	155	111	39	5	38	26	12	0	117	85	27	5
Farm	25	25	0	0	5	5	0	0	20	20	0	0
Non-White												
Total	138	91	47	0	45	35	10	0	93	56	37	0
Non-Farm	101	58	43	0	33	25	8	0	68	33	35	0
Farm	37	33	5	0	12	10	2	0	25	23	3	0

Children 20-21 in Poverty Families

	Total				Not in Labor Force				In Labor Force			
	All Families	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other
						Total						
Total												
Total	302	186	101	15	122	82	26	14	181	104	74	2
Non-Farm	249	144	94	10	98	62	26	11	151	83	68	0
Farm	53	42	7	5	24	21	0	3	30	21	7	2
White												
Total	165	108	50	7	67	51	10	6	98	58	39	2
Non-Farm	141	89	47	5	52	37	10	6	90	53	37	0
Farm	24	19	2	2	14	14	0	0	10	5	2	2
Non-White												
Total	136	78	51	8	55	32	17	8	81	46	35	0
Non-Farm	107	55	41	5	45	25	17	5	61	31	31	0
Farm	29	22	4	3	10	7	0	3	20	16	4	0
						In School						
Total												
Total	72	43	26	3	51	35	13	3	21	8	13	0
Non-Farm	61	32	26	3	40	25	13	3	21	8	13	0
Farm	11	11	0	0	11	11	0	0	0	0	0	0
White												
Total	50	27	20	3	29	[illegible]	7	3	21	8	13	0
Non-Farm	45	22	20	3	25	[illegible]	7	3	21	8	13	0
Farm	4	4	0	0	4	4	0	0	0	0	0	0
Non-White												
Total	22	17	6	0	22	17	6	0	0	0	0	0
Non-Farm	15	10	6	0	15	10	6	0	0	0	0	0
Farm	7	7	0	0	7	7	0	0	0	0	0	0
						Not in School						
Total												
Total	231	143	74	13	71	47	13	11	160	96	61	
Non-Farm	188	112	68	8	[illegible]	[illegible]	13	8	130	75	55	0
Farm	43	31	7	5	[illegible]	[illegible]	0	3	30	21	7	2
White												
Total	116	82	29	5	[illegible]	[illegible]	3	3	78	50	26	2
Non-Farm	96	67	27	3	[illegible]	[illegible]	3	3	69	45	24	0
Farm	20	15	2	2	[illegible]	[illegible]	0	0	10	5	2	2
Non-White												
Total	114	61	46	8	33	15	11	8	81	46	35	0
Non-Farm	91	46	42	5	30	15	11	5	61	31	31	0
Farm	23	16	4	3	3	0	0	3	20	16	4	0

CHILDREN AGE 20-21, IN POVERTY FAMILIES

	Total				Not in Labor Force				In Labor Force			
	All Families	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other	All Families	Husband & Wife	Female Headed	Other
					Total							
Total	302	186	101	15	122	82	26	14	181	104	74	2
Non-Farm	249	144	94	10	98	62	26	11	151	83	68	0
Farm	53	42	7	5	24	21	0	3	30	21	7	2
White												
Total	165	108	50	[illegible]	67	51	10	6	98	58	39	2
Non-Farm	141	89	47	5	52	37	10	6	90	53	37	0
Farm	24	19	2	2	14	14	0	0	10	5	2	2
[illegible]												
Total	136	[illegible]	51	8	55	32	17	8	81	46	35	0
Non-Farm	107	55	47	5	45	25	17	5	61	31	31	0
Farm	29	22	4	3	10	7	0	3	20	16	4	[illegible]
					In School							
Total												
[illegible]	72	43	26	3	51	35	13	3	21	8	13	[illegible]
Non-Farm	61	32	26	3	40	25	13	3	21	8	13	[illegible]
Farm	11	11	0	0	11	11	0	0	0	0	0	[illegible]
[illegible]												
Total	50	27	20	3	29	19	7	3	21	[illegible]	13	[illegible]
Non-Farm	45	22	20	3	25	15	7	3	21	[illegible]	[illegible]	[illegible]
[illegible]	4	4	0	0	4	4	0	0	0	0	0	[illegible]
[illegible]												
[illegible]	22	17	6	0	22	17	6	0	0	0	0	0
[illegible]	15	10	6	0	15	10	6	0	0	0	0	0
					Not in School							
[illegible]												
[illegible]	[illegible]	[illegible]	[illegible]	13	71	47	[illegible]	[illegible]	160	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	58	37	15	[illegible]	130	75	[illegible]	[illegible]
[illegible]	43	31	7	[illegible]	13	10	0	[illegible]	30	21	[illegible]	[illegible]
[illegible]	116	82	29	3	[illegible]	32	3	3	78	50	[illegible]	
[illegible]	96	67	27	[illegible]	27	22	3	3	69	45	[illegible]	
	20	15	2	2	10	10	0	0	10	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15	[illegible]	8	81	[illegible]	[illegible]	
[illegible]	[illegible]	46	42	5	30	15	[illegible]	5	61	31	[illegible]	
[illegible]	[illegible]	16	4	3	3	0	0	3	20	16	[illegible]	

[illegible]

	Full-time Full Year			Full-time Part Year			Part-time Full Year			Part-time Part Year			[illegible]	
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male
							Under 22							
Total														
Total	47	27	20	103	[illegible]	91	22	12	10	36	[illegible]	30	60	21
Nonfarm	45	25	20	103	17	91	[illegible]	2	10	31	6	25	78	2[illegible]
Farm	2	2	0	0	0	0	10	10	0	6	2	[illegible]	2	0
White														
Total		20	20	91	15	76	[illegible]	[illegible]	5	36	6	30	[illegible]	[illegible]
Nonfarm		18	20	91	15	76	7	2	5	30	4	25	64	[illegible]
Farm		2	0	0	0	0	10	10	0	6	2	4	2	0
Nonwhite														
Total		7	0	16	2	14	5	0	5	1	1	0	1[illegible]	
Nonfarm		7	0	16	2	14	5	0	5	1	1	0	1[illegible]	
Farm	0	0	0	0	0	0	0	0	0	0	0	0	0	[illegible]
							22 - 54							
Total														
Total		166	232	200	71	128	66	28	39	123	54	69	[illegible]	[illegible]
Nonfarm		146	232	198	69	12[illegible]	65	28	37	121	52	69	307	[illegible]
Farm		19	0	2	2	0	2	0	2	2	2	0	[illegible]	
White														
Total		136	181	121	35	86	[illegible]	13	7	88	31	57	226	
Nonfarm		117	181	119	33	86	18	13	5	88	29	57	223	
Farm		19	0	2	2	0	2	0	2	2	2	0	3	0
Nonwhite														
Total		29	51	78	36	42	46	14	32	35	23	13	84	31
Nonfarm		29	51	78	36	42	46	14	32	35	23	13	84	31
Farm	0	0	0	0	0	0	0	0	0	0	0	0	0	0
							55 - 64							
Total														
Total		58	116	86	29	57	[illegible]	50	52	127	63	6[illegible]	453	[illegible]
Nonfarm		58	111	84	27	57	[illegible]	[illegible]	52	105	42	63	44[illegible]	[illegible]
Farm	5	0	5	3	3	0	10	10	0	22	22	0	5	[illegible]
White														
Total	55	54	101	70	21	49	[illegible]	15	37	70	34	36	380	68
Nonfarm	50	54	96	70	21	49	51	15	37	64	28	36	376	66
Farm	5	0	5	0	0	0	0	0	0	6	6	0	4	2
Nonwhite														
Total	19	4	15	16	8	8	[illegible]	15	16	57	29	28	73	[illegible]
Nonfarm	19	4	15	13	5	8	26	5	16	41	14	28	73	52
Farm	0	0	0	3	3	0	10	10	0	16	16	0	0	0

UNRELATED INDIVIDUALS IN POVERTY

	Full-time Full Year			Full-time Part Year			[illegible] Year			Part-time Part Year			Nonworker		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
							Under 22								
Total															
Total	[illegible]	27	20	108	17	91	[illegible]	[illegible]	10	38	8	30	80	21	[illegible]
Nonfarm	[illegible]	[illegible]	20	108	17	[illegible]	[illegible]	[illegible]	10	31	6	25	78	23	[illegible]
Farm	[illegible]	2	0	0	0	[illegible]	10	10	0	6	2	4	2	0	[illegible]
White															
Total	[illegible]	20	20	91	15	[illegible]	17	12	5	36	6	30	66	16	[illegible]
Nonfarm	[illegible]	18	20	91	15	76	[illegible]	[illegible]	5	30	4	25	64	16	[illegible]
Farm	[illegible]	2	0	0	0	[illegible]	10	10	0	6	2	4	2	0	2
Nonwhite															
Total	7	7	0	16	2	14	[illegible]	0	5	1	1	0	14	7	7
[illegible]	7	7	0	16	2	14	[illegible]	0	5	1	1	0	14	7	7
[illegible]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
							22 - 54								
Total															
Total	[illegible]	166	232	200	71	128	66	28	39	123	54	69	310	121	[illegible]
Nonfarm	[illegible]	146	232	198	69	128	65	28	37	121	52	69	307	123	184
Farm	[illegible]	[illegible]	0	2	2	0	2	0	2	2	2	0	3	0	[illegible]
[illegible]															
[illegible]	[illegible]	130	181	121	35	86	20	13	7	88	31	57	226	[illegible]	134
Nonfarm	[illegible]	[illegible]	181	119	33	86	[illegible]	[illegible]	5	88	29	57	223	92	[illegible]
Farm	[illegible]	[illegible]	0	2	2	0	2	0	2	2	2	0	3	0	[illegible]
Nonwhite															
Total	[illegible]	[illegible]	51	78	36	42	46	14	32	35	23	13	84	31	53
Nonfarm	80	[illegible]	51	78	36	42	46	14	32	35	23	13	84	31	53
Farm	0	[illegible]	0	0	0	0	0	0	0	0	0	0	0	0	0
							[illegible]								
Total															
Total	[illegible]	[illegible]	116	86	29	[illegible]	[illegible]	[illegible]	52	127	63	63	453	99	[illegible]
Nonfarm	[illegible]	[illegible]	111	84	27	57	[illegible]	[illegible]	52	105	42	63	448	[illegible]	352
Farm	[illegible]	0	5	3	3	[illegible]	[illegible]	[illegible]	0	22	22	0	5	[illegible]	[illegible]
White															
Total	[illegible]	54	101	70	21	[illegible]	[illegible]	[illegible]	37	70	34	36	380	[illegible]	[illegible]
[illegible]	[illegible]	54	96	70	21	[illegible]	[illegible]	[illegible]	37	64	28	36	376	[illegible]	[illegible]
[illegible]	[illegible]	0	5	0	0	[illegible]	[illegible]	0	0	6	6	0	4	[illegible]	
[illegible]															
[illegible]	[illegible]	4	15	16	8	[illegible]	[illegible]	[illegible]	16	57	29	28	73	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	15	13	5		[illegible]	[illegible]	16	41	14	28	73	[illegible]	[illegible]
[illegible]	0	0	0	3	3	[illegible]	[illegible]	0	0	16	16	0	0	0	[illegible]

OFFICE OF ECONOMIC OPPORTUNITY

PROGRAM MEMORANDUM
ON
COMMUNITY SUPPORT

FY 1968-FY 1972

PROGRAM CATEGORY III -- COMMUNITY SUPPORT

Introduction

A necessary condition for the elimination of poverty is that people have an income adequate to maintaining some minimum standard of living -- this is true by definition. Whether that income comes from employment or transfer payments is largely a function of social desirability. For those persons for whom employment is socially relevant, training and educational programs are often necessary to make them employable.

Given the necessity of transfer payments, employment, training, and education for the reduction of poverty, why not concentrate all the anti-poverty resources in these areas? First, there is the realistic probability that these programs will not be of the magnitude necessary to remove all people from poverty within the next few years. Amelioration of the consequences of poverty, then, is an important middle-range objective of the anti-poverty war.

Second, programs which can be directly related to increased income are not sufficient for the elimination of poverty. If the health of an individual is poor, he may not be able to take full advantage of a training program. A crowded apartment may make it difficult for a child to take full benefit from a sound educational program. The stresses and strains of everyday living in our society may be insurmountable barriers for the poor who lack a reservior of resources to call upon in order to surmount these obstacles.

Third, the consequences of chronic and prolonged poverty may in itself maintain the individual in poverty. Poor health, poor home life, poor neighborhoods can all combine to reduce an individual to a state of apathy which in itself becomes a major obstacle to seizing new opportunities as they become available. A major conclusion that can be drawn from studies done during the depression is the increasing withdrawal from society of the individuals and families most directly affected. The breaking down of this barrier and the concomitant building up of hope is a major objective of any social service program.

Finally, poverty is environmental as well as being a characteristic of individuals and families. Poor people live, all too frequently, in communities of poverty the elimination of which require attack on a community or neighborhood level. The social problems of poverty singularly or in combination may be more salient to those who live in an environment of deprivation. Change in the environmental conditions can be the most direct manifestation that "something is happening, baby."

Thus, a program of other social and economic opportunities is essential to the war on poverty. By breaking into the community of poverty the consequences of deprivation - individual, family, and environment - can be reduced, and obstacles to maximum utilization of manpower and educational opportunities can be eliminated.

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Community Action Program

Community Action is the OEO program primarily responsible for the organization and delivery of services. Its first objective is to help local communities develop a capacity to mobilize an anti-poverty effort. Past experience has shown that an effective local attack on the problems of poverty is highly unlikely in any community lacking a specific organization as a primary vehicle for anti-poverty activities. This organization needs both the support of the local community and the community of poverty in order to mount the total program necessary to win the war.

To develop this local capacity and to organize the community, programs for technical assistance, program development, training and administrative support direction are needed. As more and more communities become mobilized in the next few years for the war against poverty, technical assistance and training programs must be heavily supported, and funds for administrative support must continue to increase as the number and scope of community action agencies increases.

Elimination of the community of poverty

Eliminating poverty means more than jobs or education. It also involves changing the environment in which people live. Poor housing, unequal treatment before the law, and inadequate nutrition are an added price for being poor. To live in dignity, to be treated as a member of the community, should not be denied to persons because of their financial plight.

To breach this community of poverty, a massive program of services is required. Existing service systems have to be extended in depth and coverage. Major gaps have to be plugged, as has been done by Head Start. The cost is obviously enormous.

A major limitation on the OEO administration of this massive frontal attack on the community of poverty is the constrained budget which CAP has now and will have at least through fiscal 1967. If its budget wereunconstrained, the Community Action Program could develop the massive program of services needed to break into the community of poverty and to link the poverty population to the appropriate manpower and educational programs designed to move them out of their deprived circumstances.

To demonstrate, meanwhile, the efficacy of saturating an area with services, CAP proposes to fund massive service programs in five cities beginning in FY 1968. These demonstrations will test the impact of saturation and will provide experience for that time when the budgetary constraints imposed by Viet Nam will not be in effect.

Given the existing severe budgetary constraint, it becomes necessary, however, to change the role of community action to an emphasis on catalyzing and concerting the system of state, local, and other services to the poor. Catalysis and concerting are in any case major functions of community action. In the fiscal 1968 budget request presented here, these functions will operate with major delivery of services through CAP, but if the total funds requested are not available, the need for catalysis and coordination of existing services will remain, even though most of the major CAP service programs will be brought back to demonstration levels.

Catalysis

By catalysis is meant to integrate and to stimulate existing agencies into a systematic continuing war against poverty. This function is carried out through planning the fight against poverty, by continuous demonstration of new delivery methods and new service programs, and by providing the program links necessary to the effective operation of existing services.

1. Planning. Given the importance of non-OEO supportive services for successful conduct of the War on Poverty, planning becomes a key element. By legislative mandate, OEO has the responsibility for coordinating the anti-poverty efforts of other agencies. Under the leadership of the Federal establishment, this responsibility should be translated to the local level. Through planning, program priorities can be established and guidelines developed for program and policy decisions to be made by the community action agency in conjunction with other non-OEO local agencies.

Since most local communities do not have any planning capabilities, the support of planning staffs in CAAs and the development of planning tools can be a major instrument for influencing the local war on poverty particularly when Federal agencies require such planning and coordination as a criterion for funding.

2. Demonstrations.

The demonstration program is designed to provide new knowledge, methods and trained personnel to help communities and community action programs realize their full potential in the War on Poverty. Through the use of demonstration of pioneering approaches we can induce change in existing institutions by showing there is a better way. In order for demonstrations

to be most effective, the systematic development of priorities for experimentation is essential. The first question to be addressed to a potential demonstration program is: If this program works, will its institution on a nationwide basis make any real difference in the elimination of poverty, personal or community?

The neighborhood health center, for example, is aimed at demonstrating a new system for organizing and delivering medical services to the poor who at present receive inadequate health care. There can be little doubt that poor health is a major element in the community of poverty, and that the present system for delivering medical care is a constant reminder to the poor that they are separate from the rest of the community. In addition, poor health is a major obstacle to full participation of the poor in the manpower and educational systems. Thus, successful demonstration of the neighborhood health center would be an important contribution to the elimination of poverty.

3. Gap-Filling. Even though demonstrated, a concept or method is of little use if not put into regular practice. Regular channels for influencing service programs to change their approaches when new ways have been demonstrated should be developed. Resistance, however, is likely. In this event, CAP must close the gap. Closing program gaps will involve CAP and CAAs in the direct provision of services. The reasons for keeping this function within CAP are to provide some programming flexibility and to maintain pressure on existing agencies when they are unwilling to provide obviously needed services. This flexibility is needed because other agencies

are, all too often, restricted in what they can do and how they can do it. In some instances, it may only require a small amount of OEO funds in order to make a program work more effectively. In others, regulations prohibit the inclusion of certain categories of people within a given program. In still others, it may require fast action which other Federal agencies are unable to provide because of the necessity to go through a long series of checkpoints. CAP by its direct relationship to the local community can move rapidly when necessary.

It is important to underline that as agencies change their regulations, add services, or when a given program becomes well-established, CAP must remove itself from the provision of that particular service. No hard and fast criteria can be established, although it is likely that we would first delegate major programs like Head Start and then transfer them. We only want to note that CAP, given its current funding, cannot provide service for the sake of the serivces, but only to get the War on Poverty moving rapidly and to maintain pressure on other agencies to change in directions which will make that war more effective.

A major measure of OEO's success will be found in the effectiveness of community action programs. CAP, therefore, must bear responsibility for the outcome of the programs which in many cases are now in the hands of conscientious but often inexperienced and untrained groups for development and operation. A well conceived, professionally developed, logically presented and sustained training program is an answer to this problem. Beginning in the Summer of FY 1967, increased emphasis will be given to developing and starting a long-range training and technical assistance program.

Concerting

The best program in the world is of little use if the services are not delivered to a target population. To overcome disillusionment, apathy, and unawareness on the part of the poor, an important part of delivering services is to reach out into the poverty population and bring it and the services closer together. The focal point for concerting is the community action agency. The practice of concerting is carried out through the neighborhood location of services whenever possible, out-reach into the population, and follow-through on referrals into the service network. The neighborhood center is an important means for reducing the distance between the client and the services.

Concerting means the simultaneous or coordinated attack on the individuals' or families' problems. CAP assumes that concerting a variety of anti-poverty activities (to attack the linked problems of health, welfare, employment, housing, and education) is the most effective approach, as contrasted to a series of parallel but unrelated efforts in these same fields. Neighborhood centers, therefore, must function to treat the whole person and to develop treatment plans specific to the individual or family need patterns.

Coverage and Concentration

The mission suggested here for CAP is to concert and to catalyze services for the total poverty population. Presently, however, this country's war on poverty is not geared to reaching all the poor, and certainly CAP's activities are able to cover only a small share of the total poor. It is not likely that this situation will change in the near future, given existing budget constraints. The appropriate strategy is to concentrate CAP's activities on some of our poor, rather than spread its interest so thin as to be able to make no dent in the community of poverty.

The CAP functions recommended in this document -- catalysis and concerting -- are best utilized in areas where the poor are concentrated. This means giving priority to Community Action efforts in those places where the poor live among other poor persons and amidst poor facilities. It means emphasis on city slums and rural depressed areas where the poor live in aggravated conditions of poverty. Concentrated poverty is defined,

for planning and estimating purposes, as existing in the lowest 25 percent of urban census tracts and in the lowest 40 percent of rural counties.

Concentration does not imply that we ignore rural areas. Concentrated poverty is defined not in terms of the number of people per acre, but the ratio of poor people to total population of an area. As such, it can exist in a large, sparsely populated geographical area such as the rural county or multi-county unit if most of the people are poor; or it can exist in a small geographical urban unit such as a 15-block census tract, if poverty is concentrated there. The second thing concentration does not mean is that we should ignore certain cities because they have less poverty. It is very difficult to think of any city which does not have its slum. And an urban slum is by definition concentrated poverty.

The cost-effectiveness rationale of the principle of concentration depends more upon the effectiveness than on the cost. It turns out that the poor in a city may be reached almost as cheaply in those areas where they are diffused throughout the middle class as they can in the concentrated areas. But on the effectiveness side, the poor who live among the poor are those who are most lacking in the things which CAP can provide

or supplement. Help here is thus the most effective use of CAP monies. The poor in the slums and in the rural depressed areas are likely to have:

poorer schools than the poor living among the better off;

poorer health facilities than the poor living among the better off (maybe);

poorer counseling facilities, particularly in the schools;

poorer housing;

poorer shopping facilities;

poorer garbage collection and street cleaning;

less tolerance by the police;

less beauty or stimulation in their surroundings;

and these comparisons are not between the poor and the better off, but they apply to the differences between the poor in the slum and the income-defined poor outside the slum or rural depressed area.

Thus, adding to the facilities in the slum or the rural depressed area can be more effective, dollar for dollar, than adding to the already somewhat better facilities available to the poor living outside of these worst areas.

Alternative approaches

Two alternatives to the program direction developed herein are to use the funds to supplement existing services, or to place in each community

single Federal coordinator who will perform the functions of CAP escribed in this paper.

1. Supplement existing services. OEO certainly supports increased funds for relevant social and economic services. This alternative, however, would still leave the catalytic and concerting functions to be performed. As has already been mentioned, CAP is restricted to those functions by a severely constrained budget. Unconstrained funding would permit CAP to supplement catalysis and concerting - not to eliminate them - through a large-scale service program to break the back of the environment of deprivation.

2. Single coordinator. It has been suggested that a Federal coordinator in the local community could do the job of integrating the existing services better than a community action agency. Of course, Community Action assumes that the local community has to define its own objectives and to wage its own battle with Federal participation limited to general guidance and to financial support. The assumption rests on the belief that the local community is in the best position to know what needs to be done and that local leadership will commit themselves to the fight if they have fully participated in the decision-making process. A single coordinator would contravene these assumptions.

Furthermore, the community action emphasis on reaching into neighborhoods of concentrated poverty requires an agency larger than that of a coordinator with a small staff. By the same token, OEO does not intend to approve all sorts of locally initiated programs. The plan envisions CAP monies being more and more directed into the framework of catalytic programs, manpower, adult literacy,health, and neighborhood centers.

The Community Action Program is not restricted to other social and economic opportunities. Some manpower and educational programs will operate under the aegis of CAP. Furthermore, not all of the other social and economic opportunities recommended are administered by the Community Action Program. This overlap of areas with other agencies points up the catalytic and concerting function of OEO. By mobilizing the community into action directed against poverty and by concerting services to break down the environment of deprivation, OEO and the Community Action Program can with its limited funds bring to bear on the problem of poverty a much larger reservoir of resources.

For 1968, 1.4 billion dollars is requested for CAP of which .8 billion dollars is for other social and economic opportunities. Under this budget, increased emphasis on certain programs and some major changes in direction are being recommended for 1968:*

1. Neighborhood Services. Multi-purpose neighborhood centers are recommended for every concentrated poverty area. These centers are necessary vehicles to concert service programs for the poor. Without them the existing inadequate delivery of services to the poverty population cannot be corrected. It is expected that neighborhood centers will bring together non-CAP services, where appropriate, and will concert non-OEO programs in addition to these recommended in the OEO program memorandum, e.g., welfare services.

2. Catalytic Services. An important mechanism for catalyzing services for the poor is to fill service gaps which galvanize the existing systems into action. Along these lines three major programs

* The following discussion of programs is organized by the conceptual framework presented in the introduction rather than by functional services as presented in the budget.

re recommended for 1968:

a. Health assistance: A major component of this program is the neighborhood health center. Its objective is to concert medical care for the urban concentrated poor. In addition, a major increase in family planning funds is requested. The latter program is undoubtedly the most cost effective mechanism for the reduction of poverty.

b. Legal assistance: Availability of legal services is an important vehicle for ensuring that the poor obtain adequate treatment from public and private service systems. Furthermore, legal services is a means for alleviating the despair which the environment of deprivation generates. Therefore, OEO requests that its legal assistance program be increased almost three-fold in 1968.

c. Other Social and Economic Services: The objective of this program is to help people to utilize better their personal resources. Housing, consumer action, home-making, and other service programs in concert with similar or complementary programs of other agencies can provide the tools by which families in poverty can cope with their day-to-day problems. Since the need here is largely catalytic, only a modest budget is requested.

. Research and Demonstration: We do need to know more, much more, about poverty, its causes and cures, and there is a great need

to experiment with large-scale demonstration programs. Demonstration projects are the heart of the catalytic function. OEO emphasis has to be to demonstrate those mechanisms which can most effectively bring the existing services to bear on poverty.

a. Big City CAP: The purpose of this program is to demonstrate the effectiveness of saturating a poverty environment with services. It is important that the first input be sufficiently large to be visible to the poor and to other agencies. Evaluation will be built in from the beginning.

b. Other research and demonstration: Some of the funds requested will support research and demonstration in health, housing and legal assistance. Monies to support manpower and educational demonstrations have been requested in the appropriate memoranda. Not all of the funds requested are tied to specific program content. Since many areas for strategic research, evaluation and demonstration cannot be determined in advance, resources for flexible funding are necessary.

4. Local Capacity for Community Action: In many instances local communities are incapable of organizing to fight the war against poverty without extra technical and organizational know-how. This need is particularly acute in rural areas which often lack the resources to be mobilized. Therefore, funds are requested to support technical assistance, program development, training programs and general support for community action agency adminstration.

a. VISTA: Volunteers play an important role in helping communities to organize themselves for the fight against poverty. Because rural areas are most deficient in this respect, VISTA will move increasingly toward a rural emphasis. Volunteers will provide the link between the service channels and the local rural communities.

5. Small business loans: For reasons indicated in the relevant submemorandum, it is recommended that the funds for Small Business Development Centers be transferred to the Small Business Administration.

6. Food Assistance: The struggle of low income people to make ends meet often has its greatest casualties on the nutritional front, particularly among children. OEO, therefore, recommends that funds for the School Lunch Program and the Food Stamp Plan under the Department of Agriculture be increased considerably. Because of the difficulty of excluding the non-poor, the School Lunch Program should be expanded to include both poor and non-poor school children.

Many poor children are not in school or not regular in attendance. To reach these children, and to supplement the School Lunch Program, the Food Stamp Plan should be expanded to all families in poverty who have children or contain pregnant women.

7. Housing: Finally, but certainly not least, OEO recommends that a major housing program for the poor be started under HUD and Farmers Home Adminstration. Housing, after jobs and income, is certainly the problem which

concerns poor people the most. It is the most apparent manifestation of the environment of deprivation. Without major increases in income, the poverty population is unable to do much about where it lives without governmental help. A major start on correcting the housing situation is projected for 1968.

OEO recommends programs which will increase social and economic opportunities for the poor, which attack the environment of deprivation and despair, and which mobilize communities to action. The specific programs have been described in that context. The attached memoranda discuss these programs in greater detail. Description of the programs follows the order presented in the following table.

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PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966 UNITS	FY 1966 DOLLARS	FY 1967 UNITS	FY 1967 DOLLARS	FY 1968 UNITS	FY 1968 DOLLARS	FY 1969 UNITS	FY 1969 DOLLARS	FY 1970 UNITS	FY 1970 DOLLARS	FY 1971 UNITS	FY 1971 DOLLARS	FY 1972 UNITS	FY 1972 DOLLARS
III. COMMUNITY SUPPORT				$6355		$ 6338		$ 7285		$ 8358		$ 9501		$ 10426		$ 1124[illegible]
A. CONCERTED SVS. ASSISTANCE				$ 82		$ 115		$ [illegible]57		$ 340		$ 350		$ 370		$ 37[illegible]
1. Neighborhood Serv. Centers	CAP	# Served	5740	70	7450	$ 90	14200	$ 175	21300	$ 258	[illegible]1300	$ 250	21300	$ 250	[illegible]1300	$ 25[illegible]
2. Constr. & Reh. of Com. Fac.	HUD	# Facil.	48	12	100	25	326	82	326	82	400	100	480	120	480	12[illegible]
B. HEALTH ASSISTANCE				$ 20		$ 43		$ 137		$ 241		$ 484		$ 666		$ 649
1. Neighborhood Health Ctrs.	CAP	# Served	20	1	200	10	900	$ 74	2070	137	5000	315	9070	489	11300	473
2. Other Health Assistance	CAP	# Served	250	17	270	30	1000	40	2000	60	5400	135	7500	150	10000	150
3. Family Planning	CAP	# Contacts	100	2	150	3	1500	19	1300	19	640	13	150	9	150	8
4. Non-OEO Family Planning	HEW	# Contacts	--	--	--	--	--	--	1300	19	640	13	150	9	150	8
5. Migrant Sanitation	Migrant		--	--	--	--	--	4	--	6	--	8	--	9	--	10
C. HOUSING ASSISTANCE				$ 188		$ 193		$ 375		$ 771		$ 1197		$ 1621		$ 205[illegible]
1. Housing Rehabilitation	HUD	# Hsg. Uts	--	--	--	--	259	126	383	288	479	490	475	680	479	872
2. Housing Construction	HUD	# Hsg. Uts	--	179	--	180	127	190	191	391	237	611	232	822	231	1041
3. Migrant Housing	Migrant	# Hsg. Uts	2	3	3	6	20	51	35	82	34	84	43	106	60	12[illegible]
4. Community Action Program	CAP	# Served		6		7		8		10		12		13		15
D. LEGAL ASSISTANCE				$ 25		$ 28		$ 87		$ 123		$ 168		$ 171		$ 18[illegible]
1. CAP Legal Services	CAP	# Cases	700	25	777	28	2130	[illegible]7	2880	123	3540	168	3690	171	3840	18[illegible]

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PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966 UNITS	FY 1966 DOLLARS	FY 1967 UNITS	FY 1967 DOLLARS	FY 1968 UNITS	FY 1968 DOLLARS	FY 1969 UNITS	FY 1969 DOLLARS	FY 1970 UNITS	FY 1970 DOLLARS	FY 1971 UNITS	FY 1971 DOLLARS	FY 1972 UNITS	FY 1972 DOLLARS
E. LOAN ASSISTANCE				$ 38		$ 33		$ 25		$ 36		$ 43		$ 51		$ 60
1. Operation of SBDC's	CAP	# SBDC's	49	3	--	--	--	--	--	--	--	--	--	--	--	--
2. Operation of SBDC's	SBDC	# SBDC's	--	--	70	5	--	--	--	--	--	--	--	--	--	--
3. Rural Loans	Rur.Lns	# Loans	17.1	35	13.5	28	16.2	25.1	19.2	36.4	22.5	42.5	26.5	50.5	31.1	59.7
F. NUTRITIONAL ASSISTANCE				$ 504		$ 530		$ 698		$ 1024		$ 1350		$ 1676		$ 1997
1. School Lunch Program	Agric.	# Students	18000	404	19000	380	11405	448	15741	729	20018	1010	24354	1291	28631	1572
2. Food Stamp Program	Agric.	# Served	1300	100	1870	150	3220	250	3473	295	4002	340	4532	385	5002	425
G. COMM. SERVICES SUPP. ASST.				$ 64		$ 59		$ 135		$ 173		$ 190		$ 204		$ 213
1. CAP Services Support	CAP			$ 48		$ 33		$ 91		$ 118		$ 123		$ 123		$ 117
2. VISTA	VISTA	#Vol M/Yrs.	1.9	15.6	4.0	26	5.1	39	6.4	49	7.8	60	9.3	72	10.9	86
3. VISTA Assoc. Program	VISTA	# Assoc.M/Yrs	.1	.4	(.6)	(2.6)	1.1	5	1.4	6	1.6	7	1.9	9	2.2	10
H. OTHER SOCIAL & ECON. ASST.				$ 40		$ 42		$ 36		$ 42		$ 51		$ 56		$ 64
1. CAP Social Services	CAP		--	40		42		36		42		51		56		64
I. RESEARCH & DEMONSTRATION				$ 55		$ 74		$ 314		$ 387		$ 447		$ 390		$ 435
1. Big City CAP	CAP		--	--	--	--	--	219	--	294	--	364	--	307	--	358
2. CAP Health Asst. R&D	CAP		--	8	--	8	--	12	--	16	--	20	--	24	--	25
3. CAP Hsg. & Comm. Fac R&D	CAP		--	3	--	5	--	8	--	12	--	13	--	14	--	14
4. CAP Legal Asst. R & D	CAP		--	2	--	3	--	3	--	3	--	3	--	3	--	3
5. CAP Other Soc Asst R&D	CAP		--	42		58	--	72	--	62	--	47	--	42	--	35
J. ALL OTHER FEDERAL PROGRAMS				$3539		$5221		$ 5221		$ 5221		$ 5221		$ 5221		$ 52

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PROGRAMS SUB-CATEGORY A -- Concerted Services Assistance

PART I

A. Recommendations

The multi-purpose neighborhood center is the primary vehicle for the delivery of concerted services. It assumes increased relevance under a limited CAP budget. OEO recommends, therefore, that multi-purpose neighborhood centers be made available to all the poor in concentrated areas by FY 1969. Concentrated poverty is defined as the lowest quartile of urban census tracts and the lowest two quintiles of rural counties. These areas include about 50% of all poor. This program calls for 776 urban centers at a cost of $157 million to serve 12,060,000 people, and 397 rural centers at a cost of $101 million to serve 9,240,000 people by FY 1969. The total sustaining costs for the 1,173 centers would be $250 million.

OEO recommends that CAP and the local CAAs should be given responsibility and sufficient ability to fund and develop all multi-service centers which involve Federal poverty programs and include Federal money for the costs of running the centers. This authority should be formalized by executive order or by legislative enactment.

B. Background

The traditional social and economic service systems have not been adequate to solving the problem of poverty. OEO is a response to that failure. Given unconstrained funds, OEO and CAP would develop service programs which would bear more directly on the needs of the poverty population.

CAP, the primary organization for the development of social and economic opportunities for the poor has, however, a severely limited budget. Emphasis is therefore being given to concerting services for the poor. The basic responsibility for coordination and concerting at the community level rests with the Community Action Agency. The multi-purpose neighborhood center is the vehicle for performing this function and is, consequently, central to CAP operations.

PART II

A. The Multi-Service Center Program

The first principle of neighborhood centers is that they need to link all kinds of services whether they be provided with Federal, State, local, or private funds. In successful practice the source of funds is irrelevant to satisfaction of the need.

The second cardinal principle of neighborhood centers, is that they ought to offer an effective vehicle for residents to make known their needs and for the service organizations to reach the residents. A neighborhood center does this by staffing with people who know how to work with the residents and by opening the center to cooperation from the neighborhood. The net effect is that more people will know about and use the service.

The third cardinal principle of the neighborhood center is that its parts have to work together. The problems the individual brings to the center can seldom be solved on a fractionalized basis. In simplistic terms the health man, welfare man, social security man,

veteran benefit man, housing administration and school people have to be talking to one another if they are going to help the man in trouble. Under present arrangements people get shipped all over a community in some cases or never know about available help in other cases.

The center should provide a mix of services which would meet the needs of the particular community in which it is located. These may include such things as housing information, employment services, counseling services, etc. As much as 5 to 10 billion state, local, Federal and private dollars might be implemented through these centers, or at least involve these centers in a very direct way. In addition to the utilization of trained center staff (many of which would be local residents), representatives of Federal, state, local and private agencies should be available in the center to provide certain services.

Certain types of essential services can be provided elsewhere more efficiently. For these services, such as hospital care, and employment training, beneficiaries would have to be referred to outside organizations. However, the coordination of the referral and follow-up activity would be the responsibility of the central neighborhood service center. It would not be desirable, however, for the neighborhood service center to act with the ultimate authority of a minature Federal Government at the local level. Rather, it should be a framework which encourages the people to use available services and facilitate access to those services.

... members of various service agencies are located in the center, they are acting as representatives of their particular agency's functional service, and they will then work as part of the coordinated center team. If the centers are to accomplish their stated objective, it would be necessary for agency loyalties to be subordinated to the total coordination of resources which are needed to make the center function properly. Through the employment of indigenous target area residents, the loyalty of the administrative structure to the needs of the neighborhood would be maximized.

The only changes that would have to be made in the practice and role of existing agency effort after a center is established is the recognition of the need for involvement of the local neighborhood as broadly and deeply as possible. Among the poor, the meaningful participation of the entire community is crucial to any long-term benefits which may be derived from this service center concept. Existing alienation from and distrust of government services must be overcome.

Keep in mind, the concept of a center can be much broader than a single building where services are housed. A variety of locations within a neighborhood, or a variety of separately administered programs can still fit the multi-service model described here, as long as they are explicitly and carefully linked together. Nevertheless, the model which OEO is working toward is a single stop center.

It is obvious that no standard criteria can be set forth for all neighborhood service centers on a national basis, since the objective of the center is to meet the particular needs of its community. Certain community guidelines and models can be disseminated which would provide flexible criteria for the establishment and operation of neighborhood service centers in various rural and urban communities.

The center program is not a service component in the same way as Head Start or Legal Services are. As the key CAP program under a constrained budget, it does have measurable inputs and outputs. The inputs are the resources required to man the centers -- money, manpower, and physical facilities. The outputs are the number of poor served in the centers through referrals and indirectly by the number of programs and their participants that are based there.

The emphasis on location in areas of concentrated poverty is based on the assumption that the poor who live among the poor are most in need of the services which the center would bring together. It is expected that many poor in areas contiguous to the concentrated areas will utilize the center facilities.

In a concentrated urban poverty area there are many people who are above the poverty line as defined by OEO. Some of these are just above the line because of secondary wage earners or temporary good fortunes, others are people on their "way up" but nevertheless are unable to escape the neighborhood, still others are "left over" from the

earlier days who just never managed to leave. These people need the centers as much as the dollar poor, for they live in the same environment. To exclude these people would require a means test which is personally repulsive to the poor and would work against many of the goals of the poverty programs. The services in the center may have a variety of eligibility criteria but the center, itself, should not. It is estimated that 33% of the population of an average urban concentrated poverty area is poor by OEO definition, and about half of the population in rural areas of concentrated poverty. Perhaps 25% of the persons served by the center may be nonpoor.

Although OEO is only interested in serving the poor and concentrated poverty areas, there is nothing which prevents centers to be established for the other-than-poor population of the community. In this case, other appropriate Federal agencies should be involved in the establishment and operation of these centers.

B. Inter-Agency Relationships In the Center

The neighborhood center is not a totally new concept, nor is it totally the domain of OEO and the poverty program. Several other major Federal agencies are entering the field of funding local multi-service centers -- or one-stop centers as they are sometimes called. These agencies include HUD, Labor, Agriculture, National Institute of Mental Health, and perhaps others. However, these are not truly multi-functional and their prime objective is not to reduce poverty. They are more concerned with meeting organizational needs than the needs of the poor. Most of them do not include an outreach, an intake, a diagnostic, and a referral function along with making available neighborhood services for the poor.

The need for special programs to bring the services of government to the poor in our community was the basis for the Economic Opportunity Act of 1964, and the establishment of the Office of Economic Opportunity. The center concept is broader than any one agency's service and therefore, the centers should be divorced from agency specialization. The Office of Economic Opportunity is separated from any specialized service and OEO is charged under the law with the responsibility for coordinating all Federal services which provide assistance to the poor. At the Federal and local level overseeing the operation of these centers which assist the poor is largely the responsibility of OEO.

This would mean that other Federal agencies would not be in the one-stop business for the poverty population, although certainly their programs would be implemented through these centers. The centers, and the CAA staff and activities in these centers, would be much more involved than heretofore with the programs, services, and policies of non-OEO funded activities, while at the same time implementing or at least co-ordinating most of OEO programs through these same centers. Their responsibility to, and identity with OEO substantive service programs would diminish as would their day to day responsibility for program implementation. In place would come a priority concern for the mobilization of poverty resources, for the neighborhood administration of services, for the outreach-linkage responsibility, and for bringing to bear necessary influence over the content and administration of these neighborhood services to ensure their effectiveness in reducing poverty.

C. Limitations to the Data and Analysis

Despite the confidence OEO has in the need and usefulness of Multi-Service Centers, it is the first to admit that relatively little is really known about their effectiveness. OEO is now in the midst of a in-depth study of a sample number of CAA Neighborhood Centers, and will be receiving more detailed and meaningful statistical data on all the centers by early Summer. Similarly, survey results this Summer will bring more insight into the concept of poverty concentration.

The lack of good analysis is not entirely due to the lack of attention. The difficulties in evaluating the total CAP program is similar to the difficulties in evaluating the neighborhood center; the problems of definition (what is a center? does it include outposts?); the problems of beneficiary information (contacts,? referrals ? number out of poverty?); the problems of exogenous factors (when is a program a "center" program,? non-OEO center programs?). The studies' alluded to above should shed more light on the problems. They will suggest variations and changes of emphasis and will not, we are convinced, abrogate the center as an approach in any way.

D. National Needs and Costs

Universe.--Of the 32 million poor persons, 13.9 million (43.4 percent, reside in rural areas and 18.1 million (56.6 percent) in urban areas. Approximately 50 percent in each category are in areas of concentrated poverty as defined. This plan assumes that 100 percent of the rural concentrated poor (6.9 million) and of the urban concentrated poor (9.1 million) will be reached. It also assumes that nonpoor persons will be served at a rate of about 33 percent of the number of poor persons. It is estimated that a concentrated poverty area averaging 35,000 poor and nonpoor people, requires one neighborhood center.

Unit cost.-- The cost of running a center with 3 to 5 professionals, 35 outreach sub-professionals, 4 clerical, and overhead expenses comes to about $200,000 in the urban areas and $260,000 in the rural areas for the initial year. A 30 percent increased cost for rural areas was computed due to the greater client dispersal and probable need for larger numbers of small centers and higher transportation costs. Sustaining year costs are $190,000 and $250,000 for

urban and rural centers, respectively.

Of course the figure will vary depending on the locality, the program focus, the extent to which sub-professionals are used, the density of the poverty population, the services required within the center, and the extent to which other agencies participate in the funding. Because of these variations and due to local options, the uncertainty factor and the necessity for flexibility for a program about which relatively little is known, the cost figures cited above are a reasonable average.

MULTI-PURPOSE NEIGHBORHOOD CENTERS

(Beneficiaries in Thousands, $ in Millions)

	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Beneficiaries							
Urban Concentrated	4,300	5,590	8,730	12,060	12,060	12,060	12,060
Rural Concentrated	1,440	1,860	5,470	9,240	9,240	9,240	[illegible]40
Total	5,740	7,450	14,200	21,300	21,300	21,300	21,300
Number Centers	342	444	801[1]	1,173[1]	1,173[1]	1,173[1]	1,173[1]
Costs							
Urban Concentrated	56	70	110	149	148	148	148
Rural Concentrated	16	20	60	101	99	99	99
Subtotal	72	90	170	250	247	247	247
Training[2]	—	—	5	8	3	3	3
Total	72	90	175	258	250	250	250

[1] Employ 35,190 [illegible] professional aids, 4,692 stenographers/typists/clerks, and 586 janit[illegible].

[2] Costs of trai[illegible] emp[illegible]oyees directly related to neighborhood center operations.

The desire to meet the goal of providing centers for all concentrated poverty population by FY 1969 is predicated on the need to immediately make available a suitable delivery system and concerting mechanism. Given relatively limited resources and no new large scale anti-poverty programs, the centers are needed to make effective what services are available. The leveling off of dollar needs for the centers, 1969-1972, reflects reaching the potential universe with the existing concept of multi-functional neighborhood centers. Further experience and experimentation may result in an expansion of the concept not reflected in the cost estimations.

HUD is authorized to approve grants to local public bodies and agencies to finance neighborhood facilities, such as neighborhood or community centers, youth centers, health stations, or other public buildings. Priority is to be given to projects that primarily benefit low-income families or otherwise further the objectives of the Community Action Program. These grants could defray some expenses of the Neighborhood Service Centers and Neighborhood Health Centers. The applicability of these grants to poverty areas may be constrained, however, by the availability of funds to finance the local share (25-33 percent of the costs). The impact of such a facility on costs of Neighborhood Service Centers would be a savings of $8,000 annually in rental costs. Due to the large uncertainty factor as to where these centers will be constructed, no impact on the costs is assumed. The applicability of these facilities will have to be determined by feasibility studies undertaken on an individual case basis considering such factors as: population mobility, relative cost of rent vs. construction, and availability of funds for the local share.

E. Alternatives

One alternative is to rely more on the single function center. In fact, some of these will be used, particularly in areas of dense poverty population. Their advantage is that they permit more intensive services, more and better professional staff, and probably less administrative problems. They are, however, no substitute for the multi-purpose centers. They are less apt to be concerned with non-service functions of centers -- outreach and referral. They are also more expensive and perhaps less efficient; they certainly are more difficult to get into operation quickly.

The disadvantages to the other alternatives are described elsewhere in the memorandum. In sum, each of the other alternatives simply do not meet the needs of the poor and the OEO-CAP programs.

Another alternative is that the centers be administered outside of OEO. The deficiences of this option has been discussed under Interagency Relationships. In sum, OEO and CAP are primarily oriented to the poverty population. Other agencies are oriented to functions, e.g., welfare and health. Since the objective of neighborhood centers is to concert services for the poor, it is appropriate that they be administered by CAP. Furthermore, under CAP's limited budget, the multi-purpose neighborhood center is the central mechanism for fulfilling the concerting function of OEO.

PROGRAM SUB-CATEGORY B -- Health Assistance

PART I

A. Recommendations

OEO should:

1. Expand its neighborhood health center program to all of the urban and 1.3 million of the rural concentrated poor by 1972.

2. Develop and support techniques for purchasing, improving, and promoting utilization of existing services for those parts of the poverty population not reached by neighborhood centers.

3. Meet the manpower constraint on the development of health services for the poor, particularly the neighborhood center, through a program of research and demonstration to develop and to train new subprofessionals and professionals to meet the health manpower gap.

4. Make available family planning, the most cost-effective poverty program available, by 1968 to all poor women, aged 16-44, who want family plan advice and/or devices. OEO and HEW should each fund 50 percent of the program after FY 1968. The universe of need is to be reached by FY 1970.

5. For migrant families, continue to provide sanitation aides to teach sanitation techniques and enforce sanitation requirements.

B. Background

A number of unhappy generalizations can be made about the relationships of health and health services to poverty.

1. Impact of poor health is greater among the poverty population. While the prevalence of chronic diseases among the poor and nonpoor is about the same, poor people suffer greater activity restriction as a result of them. The poor have more disability days each year--days away from work because of illness.

2. The poor utilize health services less often than the rest of the population. The age-adjusted rate of hospital discharges for persons in families of less than $2,000 income is lower than that for persons in higher income families. Likewise poor people make fewer visits to physicians generally and fewer visits to specialists as well. Poor women, for instance, seek pre- and post-natal care much less often than non-poor. The disparity in physician visits between poor and non-poor is greatest for children. Especially striking is the very low frequency of dentist visits by members of low income families.

3. Health care is expensive for the poor. Data gathered in 1962 showed that families of less than $2,000 income made personal expenditures for health services, on the average, of $112 per person yearly. The comparable fi' for families with incomes greater than $7,000 was $153. (These figures include the cost of services for which health insurance actually paid the bills, but not the cost of the premium itself. Government supported health services are not included.) Thus although poor families spend fewer dollars out-of-pocket than others for health care, they spend a much greater and indeed quite sizeable fraction of family income in this way. A poor family is likely to have no health insurance and is more vulnerable to the financial blows of serious or prolonged illness.

4. The medical care gap between the poor and non-poor is even larger among children than among adults. For example, children under 15 years of age from families with incomes less than $2,000 had about one half the number

of visits per person per year to a physician as children from families with incomes over $7,000. For persons 15-44 years of age, the comparable ratio was 0.73. The per capita non-hospital health expenses of poor children was only one-third that of well-to-do children. For the age category 15-44, the ratio was 0.65.

5. The health services now being offered the poor are defective in themselves. They are insufficient, of poor quality, often inaccessible, impersonal, fragmented, offered in a dismal climate, confusing in their eligibility standards, and lacking in continuity. These conditions not only discourage full utilization of services by the poor; they result in an emphasis on treatment for severe and acute illness, with an accompanying and wasteful neglect of early, continuing, and preventive care; they also prevent the establishment of effective therapeutic relationships between patient and staff, and indeed undermine rather than enhance the dignity and self-esteem of the patient.

Expenditures for Medical Care for the Indigent. The Federal Government in 1964 spent $845 million for health services and supplies for poor people. State and local government spent $3.6 billion in 1964 for health services and supplies for the poor. When public expenditures at Federal, State and local levels are totalled (exclusive of tuberculosis and psychiatric hospitals), one obtains a figure of $83 per poor person for government-purchased health services and supplies. This is a substantial amount. The average per capita expenditure from all sources for health services and supplies (including all psychiatric care) for all people in the U.S. in 1964 was $174.

If the 1962 National Health Survey on personal health expenditures by poor families are accurate, and are applied to 1964, we find personal plus public expenditures of $195 per poor person compared with $153 per person in families with $7,000 or more income. These per capita figures, however, are somewhat misleading. A major part of the public expenditures is for the aged who are over-represented in the poverty population. Also, some of the non-poor benefit from public expenditures. If public expenditure per person for the appropriate age and income groups is estimated, the total expenditures per person (excluding dental care) are approximately the same for each income level. For example, the per capita expenditure for children is $70 except in the $7,000 plus group where it is $81. The major exception to the similarity of expenditures is that the aged in families with incomes between 2 and 7 thousand are somewhat worse off compared to the aged in the lower and higher income groups.

These per capita estimates do not include expenditures by non-government agencies -- an estimated $380 million for voluntary hospitals, for example. It seems, however, clear that a large amount of money is spent for health care for the poor, perhaps more than for the rest of the population, with returns that are far from commensurate.

This apparent anomaly is in part, a function of the greater seriousness of a poor person's illness. People with lower incomes are less likely than the more affluent to see a physician at the first onset of physical discomfort or pain. As a result, their illnesses have more dire consequences. Hence, the poor stay longer in the hospital on the average than do the non-poor. Longer stays mean more costly medical expenditures. A preliminary

examination of the medical outlays by type of expense suggests that hospital expenditures are relatively high for low-income groups, whereas expenditures for physicians are relatively less compared with high income groups.

PART II

A. National Need

The national objective is to obtain a quantity and quality of medical care for the poor commensurate with services available to the non-poor.

In general, the health resources available for the poor make a fragmented and confusing array. Various services are administered by different agencies. They have different eligibility criteria. They are located in different places. No program is comprehensive. No one funding source pays for all health services. No one takes overall charge of a poor person's health care, not to speak of helping him to utilize properly and effectively this array of resources. The middle class person has an internist or GP to act as family physician and health advisor. The poor person does not. Though he is least equipped to do so, he must manipulate this fragmented health care system himself. Government funds are now available, and much more will become available in the next few years, for providing health care to poor people. But they are not being spent efficiently or well. The problem for the poor is in the way health services are organized and delivered, not just in their price tag.

B. OEO Objectives

1. Neighborhood Center. Reduction of the medical care gap between the poor and nonpoor requires, then, that the fragmented services be brought together; that the atmosphere in which the services are provided be more patient-oriented; that the availability of the services be psychologically closer to low income persons; and that the medical care system assume responsibility for bringing people into the system and for their movement through it.

Such considerations have led OEO to the neighborhood health center. It is a one-door facility offering comprehensive, family-oriented ambulatory care including preventive health services, diagnostic services, treatment services, supervision of hospital care, rehabilitation services, care of the chronically ill, mental health services, dental care, drugs and appliances, and home health services. The center is rooted in the neighborhood and involves neighborhood residents closely both in planning a program which will have a direct and visible impact on their lives, as well as in filling jobs. The high quality, personalized medical care provided in the center will be aimed at treating not only physical ills, but can be expected to deal also with an array of social and psychological problems that may be keeping a family or individual in poverty.

The center will provide a stable and stimulating professional climate which will attract professional personnel of high quality. It is broadly staffed and is well-suited for developing and demonstrating roles for new types of health workers, especially those recruited from

among the poor residents. The rational and efficient division of labor among health center staff will appeal to professional members who will have more time to perform those jobs for which they have the special skills.

Relationships with other Federal Programs: Attempts have recently been started by other agencies to close the medical gap for the poverty population. The Children's Bureau has additional programs of project grants for Maternal and Infant Care and for Comprehensive Health Services for Children and Youth. The emphasis in these programs will be to encourage provision of more comprehensive services than heretofore, and to involve institutions beside health departments -- particularly medical schools -- in provision of care to the poor. $15 million was available for these new programs in FY 1966.

The Public Health Service has legislation now before Congress which would (a) permit states to incorporate many current fragmented grant programs into a broad program,(b) stimulate and support comprehensive statewide planning of health services, manpower, and facilities and (c) promote the strengthening and extending of comprehensive community health services. The request is for $390 million in FY 1968, rising to $545 million in FY 1972.

The Community Mental Health Center program of NIMH promotes the development of comprehensive mental health services. FY 1966 funds are $71 million.

Health Insurance for the Aged (Medicare) under the Social Security Administration, both hospital-related benefits and optional supplementary benefits, will provide a broad range of health services. Quality standards must be observed in hospital-related services reimbursed under Part A. The estimated Federal expenditure for this program in FY 1967 is $3.2 billion.

Title XIX of the 1965 Social Security Amendments provides Federal matching funds of 50 to 83%, administered by the Welfare Administration, for expanded and unified State programs of medical assistance to the indigent and medically indigent. Under Title XIX, a state is required to establish an administering agency with broad competence in problems of medical care. Standards must be set for participating personnel and institutions, and high quality of medical supplies and drugs insured. By January 1967, State programs must include at least; in-hospital services, outpatient hospital services, other laboratory and x-ray services, skilled nursing home services for persons over 21 years, and physicians' services whether furnished in office, home, hospital, nursing home, or elsewhere. After January 1, 1970, there will be no Federal funds for State public assistance medical care programs except under the provisions of Title XIX. States are required by July 1, 1975, to extend Title XIX program benefits beyond public assistance beneficiaries, so as to include all the medically indigent. Eligibility standards for medical indigency will vary from State to State, but will be considerably more liberal than in current programs. There is no dollar limit on potential federal

spending under Title XIX -- the greater the investment made by the states. the greater will be the Federal investment. Benefits could extend to 35 million people on a regular basis, and many million more on occasions of catastrophic health expenses.

Welcome as these newer Federal programs are -- for broadening the scope of health services for the poor, providing for better quality, reducing eligibility barriers, and encouraging comprehensive health planning -- nevertheless, they will not determine directly how health services are organized and delivered. They provide the tools for making changes in organization and delivery, but do not insure that such changes will be made nor what direction they will take. New funds could be spent in essentially old ways. HEW should be urged and encouraged to use the authority it has under present legislation to promulgate and enforce high and effective standards for the expenditure of funds in federally assis' programs, to set high standards for the approvals of state plans (especially under Title XIX) and to allocate significant amounts of funds toward the development, demonstration, and implementation of better ways of organizing and delivering comprehensive medical services. Such actions can be expected to be of substantial significance in relation to the quality and effectiveness of health services received by the poor.

However, it seems clear that in the immediate future, the major impetus for the development, demonstration, and implementation of innovations in the organization and delivery of medical services to meet best the broad needs of the poor, can and must be provided by OEO.

Thus, the center will eliminate the fragmentation of funds and services currently available for health care of the poor. It will be the recipient of funds and the provider of services previously administered separately. Thus, the center will coordinate, based on its patient load and types of services offered - Federal, State, and local funds. These will include: public assistance programs, including Title XIX; other programs for medical indigents (State and local); medical insurance for the aged; grants-in-aid and project grants from Children's Bureau and PHS. In other words the center will receive all those monies which, in its absence, would be spent elsewhere for care of the same group of patients. Agreements to implement such arranagements must be worked out between the neighborhood health center and appropriate local agencies in each community. Encouragement and assistance in negotiating such agreements will be provided by the relevant federal agencies, in accordance with agreements that have been developed between OEO and HEW. The center will house and administer the services of as many existing resources as possible: Maternal and Child Health and Crippled Children's services of the local health department, visiting nurse agency services, services of a Maternal and Infant Care project of a medical school in the city, etc. Furthermore, it will coordinate, for its patients, utilization of the services of specialized programs being operated elsewhere, e.g., a community mental health center.

Some Labor Department programs in training of health workers could be housed and administered, in part, at neighborhood health centers, particularly those with an emphasis on the development of new and experimental roles for health workers.

Finally, the provisions of the 1965 Housing Act enabling land acquisition and the construction of community health facilities are being investigated for their relevance to the development of neighborhood health centers.

Questions to be answered: Because the neighborhood health demonstration program is experimental and innovative, OEO will encourage the development of proposals which differ from one another in a number of elements. Variation will be encouraged in order to provide information regarding the following issues:

1. Optimum size of neighborhood (number of families to be served).
2. Most effective ways of utilizing nonprofessionals.
3. Most effective forms of resident participation in decision making.
4. Most effective methods of separating eligibility determination and questions of payment from provision of services.
5. Whether the inclusion on a fee or prepayment basis of nonpoor persons among those served by the center has any effect on character or quality of services rendered.
6. Optimum scope of services to be provided at the center.
7. Most effective staffing pattern (ratio of professionals to nonprofessionals, specialists to general practitioners, etc.)
8. Use exclusively of full-time physicians vs. a combination of physicians some of whom are working full-time and some working part-time at the center.

9. Relationship between center staff and physicians in solo-practice in the surrounding area.
10. Relative merits of various kinds of administrative arrangements for integrating other sources of health services and funds.
11. Most effective sponsoring and operating auspices.
12. Most effective relationship between the neighborhood health center, any neighborhood service center which may exist in the area, and other parts of the local community action program.
13. Identification of characteristics which add to or detract from the program's appeal to qualified staff; characteristics of staff which add to or detract from their effective work in the setting of a neighborhood health center.
14. Relative merits of alternative types of physical settings for the center.
15. Identification of elements which encourage or inhibit replicability of the demonstration.

2. Other Health Assistance. Whatever new forms prove best for the organization and delivery of medical care services to the poor, their establishment in large numbers will surely take several years. In the meantime, the poor must continue to deal with their health problems, and the majority will have to seek care through the existing health service system. A large part of OEO effort, therefore, must be devoted to making that system work as well as possible for poor people. This is especially important now because of the greatly increased amounts of Federal funds which are becoming available for health services.

OEO activities in relation to the existing health service system fall mainly into three categories:

a. Purchase of services: Health services could be arranged and purchased for a certain group of poor persons, e.g., Head Start children, Neighborhood Youth Corps enrollees, trainees in a manpower program, women of childbearing age, or all the poor residents of a community. Services might be of various kinds, e.g., careful screening--but only where this is combined with effective referral and rigorous follow-up, comprehensive remedial treatment, mental health services, family planning services. They might be provided by private practitioners, hospital staff, or health department personnel. The point of programs such as these is simply to purchase a service for people who need it but would not get it otherwise. The limitations on such programs are likely to be those of the prevailing medical care system.

b. Improvement of services: Within the existing structure, improvements could be made at various points. Funds might be provided for the expansion of health department facilities in a medically-deprived neighborhood, or for the hiring of needed additional personnel. Outpatient clinics could be made more attractive and helped to establish schedules more convenient for the poor. Where a clinic does not already have them, an appointment system might be adopted as well as a system of follow-up on missed appointments. The establishment of cost-

accounting procedures for ambulatory services might suggest ways of improving their efficiency. Every effort should be given to the integration of existing health resources for the poor, with emphasis on ready accessability of services and complete continuity of care. Other social service resources in the community should be linked up with the health service system.

c. Promoting utilization of services: Neighborhood-oriented programs of health education will inform residents of available services and how to make use of them. These kinds of programs should be undertaken only where available services meet a minimum level of adequacy. There should be emphasis on the importance of preventive health measures and the early treatment of disease. Neighborhood health aides or health advocates might help in identification of families needing health care, in guiding them to the appropriate resource, and in provision of follow-up. Simple measures could be taken to make it easier for people to go to the doctor - paying taxi fares, for instance, or arranging for rented cars. Homemaker and day care services might be provided, enabling mothers more readily to avail themselves of health services.

These are only some of the possibilities. The needs of various communities will differ. It is for each community action agency to plan a program of activities best suited to local needs and to tap all the Federal resources available for implementing it. Under Section 205 there are many such programs already under way around the country. OEO must promote the expansion of this

effort. Programs which inform low income people of the services available, which deliver them to the services, which guide them through the system and which provide support to the available services so that they can meet the increased demand - such programs may go a considerable way toward closing the medical gap between the poor and non-poor long before the more experimental comprehensive programs can take effect.

3. Research and Demonstration in the use of Personnel. The expansion of the various public programs supporting health services for the aged and indigent will increase the already-existing deficit in numbers of professional (as already indicated for the physician) and non-professional workers in neighborhood health centers and other new health care settings. These programs will provide useful, remunerative jobs for poor men and women, with opportunities for education and career advancement. Furthermore, because trained health professionals are in short supply and because physicians in the neighborhood health centers would be more than ordinarily dependent on supporting staff, new ways should be sought to develop and use a health team that would be innovative in both structure and function. The concept of supporting staff should go beyond the traditional components of nurse, social worker, community organizer, and health educator, and might include the physician-assistant, health visitor, community health aide, and others who have a firsthand understanding of the neighborhood and its people. The center should serve as a demonstration site for defining new roles in the health-related professions and for testing a realignment of the orthodox relationships between primary and

ancillary personnel. Among the areas to be explored through the demonstra n: how new categories of health workers would be perceived and accepted by patients; what sort of training they should have and where they would obtain it; how mobility between health professions might be accelerated. By providing a setting in which the health team can be used with flexiblity and open-mindedness, the neighborhood health center could establish some of the patterns through which the critical shortage of health manpower might be resolved. Rural programs and other innovative health care programs would provide similar opportunities for experimentation of this kind.

4. Family Planning: There are approximately 4.5 million poor women of child-bearing age. Several points must be borne in mind: 1. Poor people want as few children as, or fewer than, the more affluent. 2. The fact that this desire is not implemented is related to the poor's lack of access to the necessary services. 3. Where high quality family planning services are available under acceptable conditions, they are utilized successfully by the poor.

Poor families have more children than other families. Of 15 million children being reared in poverty in 1964, 6½ million were in a household with at least five persons under age 18. Many of these households are fatherless. The 1965 ADC case load was over 4 million, and the cost over $1.6 billion. It has been estimated that $600 million a year would be saved in ADC costs alone if ADC mothers were enabled to have only the number of children they wanted.

Unwanted children, reared in poverty, deprived in so many ways of adequate nurture -- these children will form a succeeding generation of poverty-stricken adults. No single program in health or possibly in the whole OEO spectrum has as much potential anti-poverty pay-off as the prevention of unwanted pregnancy.

Program Description: These services will sometimes be part of a broader health program, e.g., local health departments; certainly neighborhood health centers. Nevertheless it makes sense to establish family planning as a separate program also, since family planning centers can be established much more rapidly and in larger numbers than full health programs. Such centers would have medical supervision and other professional staff as necessary. They would include training of poor people and subsequent employment of them at the center and in out-reach activities. There would be suitable coordination with other community resources and programs. However, the main job would be to make birth control information, services and materials available and accessible to poor people who want them. Centers not connected with broader health programs might well operate with a client-consultant model rather than patient-doctor.

Freedom of choice should be maintained, but a number of the present "special conditions" should be abolished, especially number 6 which inhibits the effective publicizing of a program, and number 8 which prohibits the use of OEO funds for provision of contraceptive materials to unmarried women and married women not living with their husbands.

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These conditions constitute an obstacle to the mounting of successful programs which will reach the people in greatest need of services. Every CAA should offer family planning services as part of a national emphasis program.

Relationship to Other Federal Programs: Family planning services can be included (and are included in some States and communities) in programs supported by the Welfare Administration of HEW. When an OEO-supported family planning center serves clients who would otherwise be served by such an HEW program, it should recoup an appropriate amount of money. In the development of new programs in any community, there should be full coordination of the efforts and resources of all concerned agencies.

5. Migrant Sanitation: Less than one-half the states have mandatory legal minimum sanitation standards for migrant labor camps. Sanitation funds have already been used to establish two rest stops along migrant routes. ne continued maintenance of these rest stops will be the responsibility of the grantee states. Any further rest stops will be established as part of an on-going service program.

Chief emphasis of the program, which is closely integrated with migrant housing, will be on sanitation education and provision of such sanitation facilities as are necessary to make the housing programs operable. Migrant sanitation aides, working under the supervision of a professional sanitarian, will assist in training migrants to recognize and observe good health practices in their homes and at work. Rehabilitated and newmigrant housing will be provided with standard sanitary facilities to permit sanitary living conditions

enjoyed by other occupational groups. There are an estimated 269 countie^ in the U. S. having a migrant population of over 500 persons comprising t... universe of need for sanitary education programs and facilities. No other agency fulfills these needs; therefore, the only alternative would be to let this group continue to exist under substandard sanitary conditions.

Scope and Costs of Health Service Program

In the period through 1970, the growth of this program may be impeded by limited medical skills available for rapid reallocation to the poor and limited administrative and organizational capacities.

Analysis of operating requirements has suggested the advisability of utilizing medical schools and first-rate private and public hospitals as the source of contract services for these health centers. An estimate of 250-300 such institutions has been incorporated into the projection of realistic growth patterns through 1972.

Several institutions will be capable of sponsoring multiple health centers, as has been demonstrated by theTufts University Medical School. A projection of 453 operating centers by 1972 assumes a multiple sponsorship among the leading medical facilities of the country.

The standard neighborhood health center has been devised in terms of comprehensive service requirements as a function of the population to be served. The health center will serve from 10,000 to 30,000 residents of a geographically confined community. An analysis of the likely OEO emphasis in grants for the period through 1972 has indicated that the weighted average of population served per center will be 25,000.

The <u>cost per patient</u> served of the neighborhood health center is estimated at $110 per sustaining year. This estimate is approximated by several independent estimates, including the aggregation of appropriate operating factors for the Kaiser Foundation plan, the analysis of operating results from the CAP-sponsored project of Tufts University in Boston, and the cost model developed by the Yale-New Haven Hospital.

The existing Federal, State, and local programs for diagnostic and treatment services of the poor similar to Community Health Center activi' have been estimated at a per capita value of $41.00 in FY 1966. Detailed estimates of OEO funding requirements have been made assuming an increase of 10 percent per year in Federal, State, and local expenditure for comprehensive outpatient services for the poor.

In addition, initial year operating expenses have been estimated at 120 percent of sustaining year costs to allow for initial acquisition of equipment and moderate refurbishment of facilities.

Thus, the total cost to OEO in 1968 is $74 million for 900,000 beneficiaries and $473 millions for over 11 million beneficiaries in 1972.

2. Other Health Assistance. As an estimate, it is assumed that approximately the same number of poor people as are covered by neighborhood centers will be covered under other health programs. A figure of $40 per person is assumed as the initial OEO share, decreasing over the next five years to $15 in 1972. FY 1966 and 1967 unit cost estimates are higher due to a considerably higher proportion of funds allocated to subprofessional training. The budget requested for 1968 is $40 million, increasing to $150 million in FY 1972.

3. Research and Demonstration. Evidence to date shows an average cost per trainee for basic three month home health aide training of $1,000, including stipends and subsistence allowances. One may hypothesize a similar total cost per trainee for nonprofessional training in general. In-service training costs would vary with changes in duration, setting, and staff used to conduct courses. In 1968, $12 million is allocated to this task.

An important question for this program is whether or not other federal, state and local programs and funds will be available in coming years to substitute for OEO funds, thereby reducing the OEO share in training programs.

HEALTH (OEO only)

	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Beneficiaries (000)							
Health Centers	20	200	900	2,070	5,000	9,070	11,300
Other Health Assistance	250	220	1,000	2,000	5,400	7,500	10,000
Family Planning*	100	150	1,500	1,335	640	150	150
Costs ($millions)							
Health Centers	1	11	74	137	315	489	473
Other Health Assistance	17	30	40	60	135	150	150
Family Planning	2	3	19	19	13	9	8
(earch and Demonstration	8	8	12	16	20	24	5
Total Costs	28	52	145	232	483	672	656

* Initial contacts only.

4. Family Planning. Three cost generating activities have been identified:

1. Contact, solicitation or support, and education.
2. Medical examination, medical counseling, and preparation for the use of contraceptive devices.
3. Supply and resupply of contraceptive devices based upon the proportion of women utilizing IUDs and/or birth control pills.

Although a planned parenthood organization estimated that

58 percent of the universe is utilizing contraceptive devices, this information is not considered trustworthy. In addition, Planned Parenthood projects a $20 million contribution to family planning for the poor by 1970 and HEW is also beginning to move in this area. Due to the uncertainty of these data on other efforts, the cost estimates have been arbitrarily deflated by a uniform 20 percent to allow for non-governmental activities and the program is split with HEW after FY 1968. The number of new beneficiaries will decrease after 1968 so that by 1971 OEO will be serving half of the 300,000 women in poverty who come of age each year.

D. Alternatives

1. Financial Support to General Health Care. Although budget estimates for Title XIX are not available, it does provide the basis to underwri general health care for the medically indigent in each state, private medical care for the poor could be financed. Since this program would tend toward a national health insurance program, it would meet with resistance from the professional societies. In addition, this program would require a strong health education and advocate program which would have to be neighborhood-based in order to get the poor into the system.

OEO strongly favors any program which will provide more dollars to purchase health services for the poor. It is our strong conviction, however, that neighborhood health centers are necessary to put that money to effective use. Therefore, in the budget allocations for health funds neighborhood centers should be given primary consideration.

2. Non-Comprehensive Packaging. The neighborhood health center is the best approach to "packaging" comprehensive family-oriented health care for the poor. There may be, however, other good packages which partially accomplish the OEO objective, e.g., health services for children as part of comprehensive children's services based on the school, services for adults in another setting--perhaps job linked. Various combinations of public and private resources will be of great interest. Actually the enactment of the Elementary and Secondary Education Act, the popularity of Head Start, and certain provisions of Title XIX, will all tend to encourage widespread development of comprehensive children's services. These children's programs could be a lead-in to neighborhood health centers for persons of all ages.

3. Linkage of Existing Systems. Another alternative, particularl for the non-concentrated poor is to expand and link existing systems. This program has been discussed earlier. Its value is limited unless the existing health service system for the poor is radically re-organized, in which case the neighborhood health center is approximated.

OEO's obligation is to see (1) that poor people get good health care, and (2) that it is organized in a way that will help break the poverty cycle. OEO has developed a general transfer payment program which is discussed elsewhere. It is not desirable to single out health in this respect. Thus, simply paying for the services is not OEO's job--but HEW's with the state and local governments. Alternatives to the neighborhood

health centers would have to meet OEO's obligations. In any case, OEO will encourage the fullest measure of innovation in the development of health care programs for the poor.

4. Family Planning. For prevention of unwanted pregnancy the only alternative to provision of birth control services and materials is to advocate abstention.

Program Sub-Category C -- Housing Assistance

Part I

A. Recommendations:

1. A national housing program should be conducted by the Department of Housing and Urban Development, the Farmers Home Administration, and OEO with the objective of providing adequate housing for all poor households living in substandard housing at rentals they can afford by 1973 (obligate funds by 1972). This housing is to be mixed in terms of both income and race. This program should be a mix of new construction and restoration.
2. OEO, through CAP, should play an aggressive catalytic role in the development of appropriate housing programs.
3. In addition to the above recommendations, a series of policy changes should be made to make the current housing programs conducted by the Department of Housing and Urban Development better serve the needs of poor families.

B. Background

The housing problem of poor people is immediate and visible. Virtually all surveys of poor families establish the same priorities from their point of view -- housing and jobs, or jobs and housing. Furthermore, housing segregation has become the practical substitute for other kinds of segregation such as in schools. Although an increasing trickle of Negroes are leaving segregated neighborhoods, the large part of Negro migration to the North and of the increasing number of Negro children wind up in urban slum ghettos. Poor housing is thus firmly equated with discriminatory treatment.

Despite massive improvement in the Nation's supply of housing since World War II, in 1964 about 4 million poor families and poor unrelated individuals lived in housing that was "unsafe," (dilapidated) lacked plumbing facilities, or was overcrowded.* Perhaps two out of five poor families and individuals lived in such housing. Although the housing situation of poor families, taken as a whole, improves year by year, it does not improve at the same rate as for the general population. For example, between 1950 and 1960 standard housing units (both new and rehabilitated) increased by 19 million. The poor, who represent a bit less than 25 percent of the total population, gained only 13 percent of the net increase in standard units.

* Our own estimate, based on the 1960 Census. However, many housing statisticians believe that the 1960 Census represents a considerable understatement of substandard housing. Refer to Appendix 1.

Part II

A. The Problem

Obviously, private builders and national housing programs are not producing a satisfactory quantity of standard low income housing. The one really consequential program is public housing; it provides about 600,000 units to as many families. Public housing suffers from several problems. For a variety of reasons, it has been forced to create virtually self-contained communities of poor families. Families that are not quite desperate are frequently not willing to live in public housing; the image of an isolated community of outcasts becomes a fact. With specified exceptions, the public housing subsidy is limited to meeting the cost of principal and interest. The costs that local housing authorities must meet have been rising with prices and the age of their buildings. Therefore they are less rather than more in a position to provide special maintenance and social services.

The low-interest-rate program (F.H.A. Section 221-D-3) is aimed at moderate income families, not poor families. Rehabilitation programs have so far not demonstrated a capacity to affect large numbers of units. The new rent supplement program is a hopeful development, but has not so far been conceived in magnitudes that would alter the general situation of poor families. For example, 20,000 units might be contracted for under the pending initial appropriation. To select a comparison not quite at random, South Los Angeles alone showed a net loss of 20,000 standard units between 1960 and 1965. Nationally, we estimate that deterioration and other factors remove about 1 million units a year from the housing stock --- chiefly from the stock available to low income families.

Urban renewal has been much discussed in relation to poor people, but mainly because it has tended to move poor people out of its way. The program's two principal tools --- the power of land assembly through eminent domain and government write-down of the price of cleared land --- are incapable by themselves of producing housing at prices that low-income families can afford. Therefore, the struggle around urban renewal has concerned its responsibility to those families whose housing it takes. (Will it see that they are rehoused? Will it build for poor people at all?) It is now generally recognized that urban renewal cannot be and was not intended to be a general device for housing poor families.

Thus, public housing appears to be the only substantial program for poor people and yet quite inadequate to meet the need. Its plight becomes more clear. If it tries to desegregate, it leaves no option at all for lo income Negroes. When it tries to avoid problem families, they are left unhoused. If it tries to reduce costs by building small units, large families find it impossible to secure housing. Inevitably, its conspicuous failures draw the displeasure of tenants, neighbors, and Congress.

B. National Objective

A national housing program should accomplish two objectives for poor people:

1. Standard uncrowded housing should be made available for all poor people within five years and at prices they can afford. Some will choose not to take advantage of the opportunity, but the genuine opportunity must at least be afforded.

2. As a second major objective, the net effect of activities to produce decent housing for poor people should produce desegregation and dispersion, both in terms of color and in terms of income levels. This objective does not imply forcing people to live where they would rather not or selecting segregated areas for forced mixing. It simply means that a large national program will be implemented in ways that promote desegregation.

C. Proposed Programs

1. Construction and Rehabilitation

We are pressed to the conclusion that the only genuine solution is to provide low income housing on a scale that has not so far been attempted. OEO has estimated that upwards of 4 million poor families and poor unrelated individuals in 1964 lived in housing that was dilapidated, lacked plumbing facilities, or was overcrowded. Taking continued natural improvement into account as well as other changes, a net of 3.3 million additional units are likely to be needed for poor families by 1970.*

The supply of housing for low-income families can be increased through government incentives to the private sector. Incentives to the private sector include subsidization of land costs and reduction in the cost of borrowing building capital (either through direct low-interest loans or insuring or subsidizing of the interest rate charged by private lending institutions). Use of these aids provides an attractive incentive to private builders and rehabilitation contractors, while at the same time permitting some control

*Appendix 2

over the rents and prices charged and over the allocation of benefits. Th. . forms of assistance are not, however, sufficient to produce housing in the $50/month range that poor families can afford. To do this, the consumer must also be subsidized, through some form of variable rental (or purchase) assistance. Essentially, a program of the magnitude being described can be fashioned entirely out of these two elements: rental assistance given to all families living in substandard housing who meet stipulated income criteria, with this assistance to be used solely for units built or rehabilitated by developers who are participants in the interest subsidization and (if necessary) land writedown and assembly programs. The obverse side of this arrangement is that all recipients of these government aids must agree to accept a proportion of rental assistance recipients as tenants or owners. Private developers would be permitted to set the exact proportions . In order to ιote a healthy mixture of various economic and social groups, however, lower and upper limits would be established (say, 20-50 percent). Builders would also have a "built-in market" under the program.

This system would make it unnecessary for public authorities to construct low-income housing projects, a task that anyway may be better handled by the private sector (assuming adequate controls). The ideal role for the public authority in this system would be to process applicants for rental assistance; establish their eligibility and priority; act as an information center to inform applicants of the range of available units; oversee the selection of low-income tenants by private developers; and administer the disbursement of rental assistance funds. The private sector would thus be freed of a major administrative burden. Furthermore, there would be sufficient control to insure that low-income families were being properly served.

Under the proposed system low-income families, armed with their rental assistance guarantee,* would be free to shop around among available developments, and owners would not be permitted to reject any eligible applicant on the grounds of "social criteria" or of race.

In sum, the system just described rests on the assumption that maximum choice and variety, maximum participation of the private sector, and maximum opportunity for creating balanced communities are all desiderata. The general line of reasoning outlined here was confirmed at a Conference on Housing the Poor co-sponsored by OEO and HUD during the period May 23-24, 1966. The substantial consensus that had been reached by the beginning of the closing session was stated by Chairman, Louis Winnick, and is appended to this Program Memorandum as Appendix 3. Literally dozens of specific program proposals were made. In particular, the conferees thought it important to develop methods to intercept for poor families housing of good quality as it turns over. This seemed to them more promising than the customary assumption that poor families receive housing when others no longer want it, and rehabilitation or replacement is necessary. Further study will be given to these proposals to flesh out or alter in detail the system that is described above.

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* Under this system, the probabilities that this income supplementation will be devoted to housing are far greater than under the pure income approach.

Other programs which will be needed for special groups and purposes to complement this basic program are as follows:

- A truly effective code enforcement program must go with the basic program of assistance. Only in this way is there assurance that all units which can be economically rehabilitated will be incorporated into the overall program to reach the 5-year stated goal.

- An expanded program of low-interest loans and outright grants (modeled after the new rehabilitation aids contained in the 1964 and 1965 Housing Acts, but with much broader limits) will be needed to meet the needs of low-income home owners.

- Expanded research and pilot projects for the improvement of current building methods and technology, to reduce original construction costs to a minimum.

- For rural areas, in particular, use of mobile and specially designed homes for remote locations.

- To the extent that local barriers exist to large-scale private development in metropolitan areas (particularly, restrictive zoning and subdivision regulations) methods will have to be developed, through superior regulatory powers, metropolitan-wide zoning, etc., for overcoming these obstacles.

- Grants to localities to cover the added costs of servicing additional residential developments (schooling, sewers, welfare costs, medical facilities, recreation areas, etc.) will reduce the financial burden of cities and towns, and may decrease local resistance to these developments.

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2. <u>Migrant Housing Program</u>

Even in the few states that have minimum housing standards for farm worker camps, the housing situation of migrant farm workers is at best alarming. Labor camps are usually grower-owned. The farm worker has a built-in dependency on the grower while occupying a grower-owned dwelling, making it virtually impossible for him to participate in activities outside the camp or to seek employment elsewhere, even in periods when the grower has no work to offer.

During the next three years temporary housing will be provided under Title III-B in migrant user states during periods of peak agricultural employment. By 1968 there should be a total of 20,000 demountable temporary units built and situated on publicly-owned land; this is the universe of need. The upkeep of these facilities will be the responsibility of the grantee agency.

After FY 1968, the emphasis will be entirely on permanent, worker-owned dwellings. To the extent possible, permanent housing will be provided through self-help housing programs in which farm workers obtain loans from Farmers Home Administration for materials, from OEO for supervisory and educational services, and provide the labor themselves. In 1966 there will be a major self-help housing program in the State of California. By 1972 the self-help housing program should be national in scope, reaching a total of 100,000 families. The universe of need for this type of housing is estimated at 225,000 new housing units.

Experience has shown that worker-ownership of decent housing has some unusually beneficial side effects. In several cases, workers used skills obtained in self-help housing programs to obtain higher-paying jobs. In some cases the academic grades and attendance rate of school children improved after they moved into their new home. In general, the freedom and pride coming with home ownership have tended to stabilize the seasonal farm worker families as useful participants in the community.

The major problem in these permanent housing programs is the fact that farm workers' incomes are often too low to qualify the worker for loans. Also, they often do not own land upon which to build. To meet these problems, the program may have to undertake "seed grants" to enable the very low income migrant to obtain necessary loan funds. Even so, the program will be of a lower cost and higher long-range benefit than either a rent subsidy or massive public housing approach. While the latter are feasible alternatives, the long range cost-effectiveness of the recommended program is far superior.

Similarly, an alternative to providing temporary housing facilities to migrant workers on publicly-owned land might be to make grants directly to growers to provide housing on their own land. While this recourse might produce the desired improvement in temporary housing, it also would serve to reinforce the migrants' dependence on the grower at a time when the former is rapidly being replaced by automation

3. Community Action Program

The role of the Community Action Program in housing programs is consistent with the concerting and catalysis principles described in this Program Memorandum. The CAP role in these housing programs may be determined by these tests: (a) when the service provided is grossly inadequate and is not likely to be provided, CAP may assume a role; (b) CAP may undertake a project in order to demonstrate an untried approach to a problem; (c) CAP may undertake a project when it serves as a symbol of CAP's serious concern with the heart of the problem; (d) CAP may undertake a function in order to forge a link between CAP and existing programs. For example, CAP should explore acting as sponsor in those housing programs where r - profit sponsorship is necessary or desirable, as in the current moaest rent-subsidy program.

Some number of poor people, particularly in areas of concentrated poverty, require a variety of educational and helping services to enable them to cope with and maintain standard housing. CAP should attempt to bring such people together with the services they need. CAP may, indeed, stage demonstrations of total housing and social service, as in the Harlem housing rehabilitation project.

Training programs should be established for contractors and rehabilitation workers, as well as for semi-skilled and unskilled construction workers, when combined with a subsidy covering a portion of wages for contractors who employ such men (possibly as a joint CAP-MDTA ef!).

D. Alternatives

Two major alternatives are open in the development of programs to reach the stated objectives. In addition, we discuss a third alternative which improves the current situation but comes nowhere near recommended objectives.

1. Income Transfers. First, one might conceive of a massive program of income transfers that would provide poor people with enough money for decent housing. This alternative is rejected for the following reasons: the severe inflationary impact which such a program would have on current rent levels and which might not abate for several years until housing production could catch up with demand; the need to cause the most immediate increase in the supply of low-rent housing; the severe market constraints that presently exist for housing consumers, most notably those associated with race and class and local exclusionary devices such as zoning and subdivision controls --- which make it difficult, if not impossible, for normal forces of supply and demand to mesh; the desire to achieve sound land planning goals on a metropolitan-wide basis; and the desire to create housing solutions which can provide an environment to facilitate the exit from poverty and will serve to prevent the formation and perpetuation of social, economic and racial ghettos. The obvious failings of the present welfare system, insofar as this can be taken as an example of the pure income approach to the problem of improving housing conditions among the poor should make clear the need for programs which affect the supply side of the equation as well.

2. Massive Public Housing. The second possible alternative would be to mount a massive program of public housing. The effect would be to compound the problems from which public housing already suffers and to inflict these problems on the majority of poor people instead of the comparatively small number now involved. Among the disadvantages are these: concentration of disadvantaged and minority group families; repressive management practises and tenant resentment; high building costs and a squeeze between tenant ability to pay on one hand and maintenance and social service needs on the other; loss of housing because of increased income and either, on one hand, an incentive problem or, on the other hand, loss of developing local leadership; and the institutional nature of public housing. These difficulties are discussed in detail in Appendix 3. A massive program of public housing could only aggravate the problems, for such promising developments a scattered site development are in their nature small-scale operations.

3. Cheaper Alternatives Not Reaching the Objective. Quite another kind of alternative is to reject the first objective with which the memorandum begins and formulate a program still aimed at the desegregation objective that would at the same time improve existing housing programs, in terms of their usefulness to poor people, more or less within existing costs. Such an alternative overlooks the heart of the problem. Current housing programs for the poor suffer most of all from the fact that they are trivial in comparison with the need. As has been indicated, the very pressure on them of too many needy families makes desegregation difficult and creates painful choices about whom to include. Nevertheless, it may be necessary as a practical matter to know what sort of improvements can be made in existing programs. The following recommendations are,

to some extent, not real alternatives. They ought to be put into practice, particularly with respect to public housing, whether the major recommendations in this memorandum are accepted or not.

a. Recommendations for the Public Housing Program

(1.) No new funds to be authorized for the construction of public housing projects (defined as large developments, owned and managed by public authorities, for exclusive and perpetual use by low-income families). Instead, all funds for new public housing must be used in one of the four following ways:

(a.) Joint sponsorship and financing of mixed-income, private-public developments. That is, developments financed through public bonds and private funds (including all FHA programs); managed either jointly or by the private sponsor, under contract with the housing authority; and inhabited by families of low- and moderate-income, paying subsidized and market rents, scattered throughout the development without distinction, and with provision for transfer of units from and to the public sector as family income rises or falls above or below the point where subsidization is needed. (The prototype of this kind of project is presently underway in the Bronx, jointly developed by the Lavanburg Foundation, using FHA 221(d)(3) financing, and the NYC Housing Authority.)

(b.) Purchase or long-term lease from the private sector of new and used standard units, in single- or multiple-unit structures (using partial acquisition or leasing in large structures in order to achieve balanced communities), with similar provision for private management (where feasible) and return of subsidized units to the private sector when the occupying family is no longer in need of subsidy.

(c.) Rehabilitation of substandard units by the public authority, secured through open-market purchase, tax-title, and condemnation. Rehabilitated units can be retained by the authority or conveyed to limited-profit or nonprofit groups for ownership or management, under authority regulations and standards.

(d.) Construction of small, "scattered-site" developments (suggested size limit: 100 units), built on vacant or condemned sites in existing neighborhoods, so designed as to blend in with the prevailing architecture and building type of the area. Developments may be managed by the housing authority or by a local organization (settlement house, church group, tenant cooperative, anti-poverty agency, etc.)

(2.) Eligibility for the benefits of public and publicly-assisted housi should be based solely on financial criteria: can the family afford decent housing without governmental assistance? The following restrictions will have to be eliminated (some of which will require changes in Federal legislation):

(a.) Increase in the present level of annual Federal contributions (4½-5 percent of original development cost), so that there is no necessity for a minimum monthly rent, which effectively sets a minimum income for eligibility and/or an upper limit on the number of families with very low incomes that can be accepted into a given project.

(b.) Abolition of household composition limitations for eligibility.

(c.) Abolition of residency requirements for admission.

(d.) Establishment by PHA of a uniform list of extreme social disorders that can clearly be termed harmful to the community, which will be the only grounds for ineligibility, other than financial reasons.

(3.) Immediate investigation of the reasons for and impact of high rates of family turnover in public projects. What happens to the family after it leaves? What is the impact on the public housing community of so high a degree of transiency? What proportion are evicted, what proportion leave voluntarily? What are the reasons for voluntary and involuntary departures? What are the correlates of project turnover rates by race, income, project size and age, project location, family size and type, size of locality, rent-paying systems, and other important variables?

(4.) Detailed study should be undertaken at once of the impact of various rent-paying systems presently being used by local authorities. Specifically, it should be determined which system(s) cause the least rejection of public housing (on the part of potential applicants as well as existing residents --- in the form of moveouts) and the fewest strains and dissatisfactions. If a system (or systems) is found which is clearly advantageous, in these terms, local authorities should be required to institute this system, or, alternatively, make it available to those tenants who wish to make use of it.

(5.) Evictions for reason of income ineligibility should be terminated altogether.* The effect on motivation, the frequent consequences in terms of added housing costs and return to inferior housing conditions, the personal and social disruption caused by forced displacement, and the loss to the community of its leaders all outweigh the consideration of making the apartment available to another needy family. (An over-income family should have to pay market-level rent for its apartment, and if necessary the difference between this rent and the subsidized rent for the apartment might be used to subsidize another apartment, possibly under the leasing program, for another needy family.) Families should not be forced to leave their homes until such time as they wish to and are able to move.

(6.) Congress should appropriate necessary funds for the rehabilitati' and modernization of older projects in need of major capital investment. Reliance on rental income to pay for increased maintenance costs and major rehabilitation means either that this work will not be done, or that an added and unjust financial burden is placed upon low-income residents (and is a further reason why families with very low incomes cannot be accepted into projects).

(7.) Title VI of the Civil Rights Act of 1964 should be invoked to counter the extraordinary degree of racial segregation in public projects.

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* In some instances State laws will have to be revised to permit this, since local tax exemption might be threatened if other than low-income families were permitted to live in projects (alternatively, it might be possible to devise a more sophisticated and flexible exemption formula to apply only to low-income families residing in projects).

Although Title VI sanctions cannot be used to cut off annual Federal contributions (since the full faith and credit of the Government is pledged to the bonds which financed the project), there are still effective sanctions (with regard to new projects being undertaken by the authority and the threat of Federal repossession of projects) which can be employed. Tenant admission and placement procedures should be designed so as to integrate previously segregated projects, where possible, and to prevent further segregation; location of new projects must be such that racial segregation is not inevitable.

(8.) In order to eliminate the frequently paternalistic and unjust treatment of tenants in public housing, a range of modifications of the present management system are suggested:

(a.) Rationalization of the existing system of project administration. To accomplish this end, the following concrete steps are recommended:

- Standardization and enunciation of project regulations with regard to tenant behavior on a city-wide or national basis.

- Reduction of areas of regulation to allow tenants maximum freedom and dignity, supervising only those areas which are commonly regulated in the private sector or which clearly are necessary to the sound operation of the project.

- Qualifications and criteria which project managerial staff must meet in order to insure that competent personnel, adequately attuned to the needs of tenants as well as the needs of property, constitute the project staff.

- An end to arbitrary and unjust fees and charges. Only those damages indisputably caused by tenant negligence should be charged to tenants, and fines for rent arrearage should be invoked only when nonpayment is clearly a matter of will rather than ability.

- Enunciated criteria for institution of eviction proceedings, only for reasons commonly accepted in the private sector or clearly necessary for the good of the community, and with adequate safeguards for due process and appeal procedures.

(b.) Creation of tenant organizations and a formal grievance mechanism. In order to combat the sense of powerlessness inherent in the public housing-tenant relationships and to attain a voice in areas subject to regulation, tenant organizations should be formed in all projects, with a city-wide council to handle more general problems. Meaningful tenant participation in all management decisions should be formalized, covering the setting of regulations, admission and eviction procedures, rent-setting policies, allocation of maintenance and rehabilitation funds, hiring of project staff, as well as the handling of individual and *ad hoc* grievances.

(c.) Development of new forms of project management, including management by private commercial concerns, nonprofit agencies (such as settlement houses), and the tenants themselves. With regard to tenant control, it may be possible to give over to strong, well-organized tenant councils actual management of the project, including full responsibility for rent collection, property management, social control, election of their own governors, and employment of their own staff (possibly drawn from the tenant population itself). It is anticipated that placing control of the project in the hands of the tenants themselves may well decrease behavioral problems in the projects, reduce maintenance and repair costs (to the extent that neglectful or vindictive treatment of project property is the result of feelings of resentment and powerlessness against the authorities --- which is frequently the case), and will instill in tenants a healthy sense of pride, dignity and control of their own affairs.

(d.) Vesting ownership of the project in the residents, on a cooperative or condominium basis. Through use of low-interest loans to refinance partially amortized older projects, plus rent subsidies and other benefits, it may be possible to convey ownership of an entire project to its low-income residents. While this technique is perhaps more suited to single-family and duplex homes (and provision for such sale is included in the 1965 Housing Act), it is also applicable to larger structures, and is a logical extension of the principle of tenant control.

(9.) A neglected opportunity for decreasing poverty and unemployment among public housing residents is to make available to them the various jobs that arise out of the operation of public housing itself. A policy to maximize the use of tenants in project operation would provide considerable amounts of full- and part-time employment (and hence increase project financial stability through increased and more stable rent receipts) and would also have clear benefits for project morale. PHA rule-of-thumb is that there is one "technical" employee (primarily project maintenance personnel) per 45 units, one "non-technical" employee (primarily management and central office personnel) per 80 units. Using the 1966 figure of 604,000 public housing units available for occupancy, an estimated 7,500 non-technical and 13,500 technical jobs are generated by local housing authorities. PHA estimates that roughly one-third of the technica jobs are in the unskilled category, while a slightly smaller proportion of the non-technical jobs can be filled by unskilled and semi-skilled workers (filing, record-keeping, etc.). However, through use of training programs, on-the-job training, and an expanded concept of tasks appropriate for project tenants (for example: involvement in intake procedures, such as interviewing prospective tenants, helping them fill out forms, evaluating their eligibility, and performance of some management functions), it is quite possible that a considerably higher proportion of jobs in both categories might be filled by project tenants.

b. Recommendations for the Urban Renewal Program

Since it is now generally recognized that urban renewal is not basically a program to ameliorate the housing plight of low-income families, major recommendations in this area must necessarily be rooted in assumptions about the worthiness of the program as it now exists and evaluated by more than just the criterion of its impact on low-income families. The program's two principal tools --- the powers of land assembly through eminent domain and government writedown of the price of the cleared land --- are incapable (without additional aids) of producing housing that low-income families can afford. Therefore, the question is not how to make urban renewal into an effective anti-poverty program, but is rather more limited. How can urban renewal operate with minimum damage to poor people and how can it be made to assist the second objective of desegregation, both by color and by class. The recommendations that follow answer these questions.

(1) A minimum proportion of all dwelling units constructed or rehabilitated in residential urban renewal projects (recommended minimum: 25 percent) must be made available to low-income families, either through the public housing program, the rent supplementation program, rehabilitation aids, or deliberate skewing of the rent schedule in private housing developments.* Housing for

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* This is a system whereby rents in the majority of apartments are raised slightly (but still kept below market levels), in order to allow larger reduction in a minority of apartments, the total rent roll remaining constant. To illustrate: assume a developer of 100 units, which, given costs and profit considerations, call for a monthly rental of $100; if rents on 75 apartments are raised to $115, the remaining 25 apartments can be rented for $55.

(3) While there is no way to insure that 100 percent of the families displaced will be relocated in decent housing at rents they can afford (if for no other reason than that even at income levels where families can clearly afford decent housing, some will still choose --- for a variety of idiosyncratic reasons --- to live in substandard quarters), there are ways to insure that almost all will be so rehoused, if it is desired to pursue this end as a <u>sine qua non</u> of the renewal program. This can be done through institution of devices to test the adequacy of relocation activity <u>in vivo</u> and concomitant powers to halt the progress of the renewal project if a significant degree of unacceptable relocation activity is discovered. The recommendation to insure the maximum possible level of adequate rehousing is: Requirement that on the day of removal from pre-relocation housing, the local renewal agency must (with the regional office of HUD, or with city or town clerk, or with secretary of state) certification by the local code enforcement agency that the relocation dwelling is not in violation of local housing and occupancy codes, plus an affidavit, sworn to by the renewal agency, that no present plans exist (under any government program) for taking the new home by eminent domain and that the family is not paying more than a stipulated maximum (suggested figure: 20 percent) of its income for its housing. In the case of any family for whom such certification cannot be filed, notice must be filed of the reason for failure to produce such a certificate (inability to trace the family, family's desire to spend more than 20 percent of its income for housing, unwillingness to move

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into standard housing, inability of the renewal agency to find suitable relocation housing for the family, etc.). If at any given time the proportion of displaced families for whom such certification cannot be made rises above a certain maximum (suggested figure: 10 percent) without adequate proof that this is attributable to factors other than inability to secure such housing, then all demolition and displacement activity shall cease until such time as the renewal agency can give reasonable assurance that relocation can be carried out adequately.

(4) Present compensation aids for displaced families, consisting of moving expenses and a relocation adjustment payment, appear inadequate to cover many of the true financial costs of relocation (for example, rent and utility deposits, reconnecting appliances, redecorating, extraordinary rent increases, added transportation costs, etc.), do not appear to be given to all eligible families, and do not take into account the indirect non-financial costs of forced uprooting. It is recommended that for families who cannot afford decent housing on the private market a lump-sum payment be substituted for present compensatory devices, a payment large enough to indicate some measure of the community's concern and recognition that a great imposition has been placed upon the family by forcing it to move in the public interest, an amount large enough to insure that forced displacement becomes a positive rehousing device. It is recommended that this lump-sum payment be $1,500 for families falling below the Orshansky poverty-line definition, $500 for families above

the Orshansky line, but below the Bureau of Labor Statistics' locally deri income level for a "decent but modest level of living."

(5) If the relocation adjustment payment and reimbursement for moving expenses are retained as compensatory devices, far more strenuous efforts must be made to provide this assistance to families who qualify for it. Furthermore, relocation adjustment payments should be available to all individual householders (as opposed to the present limitation to elderly individuals). And they should not be restricted to families for whom public housing or rent supplement housing is unavailable, since there are many sound reasons why families choose not to enter this type of housing, even if available; restrictions on housing choice should not be placed as a condition for receiving benefits, since these families are not moving by choice, but at society's behest.

(6) The maximum amount permitted under the rehabilitation grant provisions of the 1965 Housing Act should be raised above the unrealistically low figure of $1,500 to the actual amount required to bring the property up to code standards, providing the local agency certifies that it is economically feasible to rehabilitate the structure (suggested upper limit: $6,000). Further, all owner-occupant families falling under the Orshansky poverty definition should be eligible for these outright grants (as opposed to the present $3,000 income ceiling); in the case of families above the Orshansky line, grants should be made for the amount of repairs over and above what cannot be paid for with other available loans which do not require the family to spend more than 20 percent (rather than the present 25 percent) of its income for total housing costs.

c. Recommendation for Interest Subsidization Programs

Acknowledging the increasing rate of housing production under the interest subsidization programs, the inability of the program to produce truly low-rent units, the importance of using government housing aids to the maximum feasible extent for low-income families, and the desirability of economically balanced communities, it is recommended that HUD require that a minimum proportion (suggested figure: 25 percent) of the units in each below-market rate Sec. 221(d)(3) and Sec. 202 development be made available to low-income families at rents approximating those available in public housing. Rents in these units will be lowered beyond the normal 221(d)(3) and 202 levels by one or more of the following devices: use of the rent supplement program, rent-skewing, or arrangement with the local housing authority to purchase or lease units from the private developer. Tenant selection can be made through use of the housing authority's waiting list, from the pool of families currently being displaced, or on the basis of openly advertised application.

d. Recommendations for the Rent Supplement Program

(1.) Rent supplement funds should be available only for units produced under the below-market FHA Sec. 221(d)(3) program and the CFA Sec. 202 program for the elderly (as opposed to the program's present limitation to the new 221(d)(3) market-interest rate program, with 10 percent of the funds allowed to be used experimentally under the 221(d)(3) below-market rate, FHA Sec. 231 and CFA Sec. 202 programs). Under the statute as presently written it is likely that only the highest income segment of the population eligible for public housing will be able to make use of the rent supplement program, with the result that income heterogeneity will be only of the most narrow variety in the (d)(3) projects, while the "cream will be skimmed off" the low-income public housing population, increasing the isolation and deviance of that program and its users.

(2.) The proportion of income which families must devote to housing under the rent supplement program should be set at 20 percent (as opposed to the present 25 percent), with the amount of the supplement covering the gap between one-fifth of family income and the market rent of the apartment.

(3.) In order to protect the rights of low-income families under the rent supplement program, it is recommended that criteria and supervision be established in the area of tenant selection and eviction. Alternative recommendations include:

(a.) Closer tie-in with the public housing authority and its operation, with requirement that low-income families be selected

from housing authority waiting lists or through use of housing authority criteria or intake mechanism.

(b.) FHA establishment of specific "social" criteria which alone can be the basis for rejecting families who are otherwise eligible, with an established priority and appeals procedures.

(c.) Direct leases between developers and low-income tenants (distinct from the agreement between FHA and the developer), which protect tenants against arbitrary eviction and contain no provisions relating to behavior and standards which are not also in the leases of unsubsidized tenants.

(4.) In order to insure economic heterogeneity in rent-supplement developments, the current absence of restrictions on the proportion of families in a development paying market and supplemented rents should be revised to include both a lower (suggested figure: 20 percent) and upper (suggested figure: 50 percent) limit on the proportion of subsidized units in any single development. In addition, FHA supervisory control should insure that intraproject segregation along economic lines does not occur.

E. Scope and Costs

In approaching the development of a program it is necessary to judge what may be built and what may be reclaimed. Such an approach represents more than simple economy. It allows room for families that may wish not to give up their homes and provides a pattern for continued maintenance of the housing supply. In the decade from 1950 to 1960, something less than one-fourth of the net increase in standard dwellings represented rehabilitated units. Although there has been considerable reduction in the stock of housing that lacks plumbing facilities and is comparatively easily rehabilitated, new aids are now available for rehabilitation. Thus, considerable new effort could be invested in it. We, therefore, assume that approximately two-thirds of the net increase for poor people can be produced by rehabilitation.

It is estimated that the cost of 2.2 million rehabilitated and 1.1 million new permanent standard units would be $5.6 billion of public funds during the five-year period FY 1968-1972. The Federal subsidy for housing to the non-poor via the income tax amounts to $2.9 billion (1962). In these terms, the subsidy required for those who are poor does not seem excessive.

. . .

A program so large must necessarily be contemplated as being staged over a period of time. It is contemplated that 400,000 additional units would be provided in 1968, 600,000 in 1969 and about 750,000 annually thereafter. In terms of new housing, the requirement in 1972 would be 250,000 units. Added to the 1964 rate of housing starts (1.5 million units), the 1972 total would not even attain the peak rate of housing starts reached in 1950 (1.9 million).

APPENDIX 1

SUBSTANDARD HOUSING AMONG THE POOR IN 1964*

	Total Poor	Condition of Housing: Dilapidated	Condition of Housing: Not Dilapidated, But Lacks Plumbing	Condition of Housing: Total Substandard Housing
	Number	Number	Number	Number
Families				
Urban	3,837,000	293,500	468,500	762,000
Rural Non-farm	2,071,000	303,400	788,400	1,091,800
Farm	873,000	110,500	435,000	545,500
Total	6,781,000	707,400	1,691,900	2,399,300
Primary Unrelated Individuals				
Urban	2,115,000	152,700	462,800	615,500
Rural Non-farm	652,000	96,400	256,800	353,200
Farm	110,000	17,400	52,300	69,700
Total	2,877,000	266,500	771,900	1,038,400
Total Housing Units				
Urban	5,952,000	446,200	931,300	1,377,500
Rural Non-farm	2,723,000	399,800	1,045,200	1,445,000
Farm	983,000	127,900	487,300	615,200
Total	9,658,000	973,900	2,463,800	3,437,700

* An estimate was made of the incidence of housing characteristics among the 1960 poor. This incidence was applied to 1964 poverty data, including an estimate of those unrelated individuals who were "primary."

APPENDIX 2

NEED FOR HOUSING FOR POOR FAMILIES BY 1970.

	(000 in Units)		
	Dilapidated	Not Dilapidated But Lacks Plumbing	Total
Rural Areas --- 1964	527.7	1,532.5	2,060.2
Out-Migration (next 10 years)	116.0	337.0	453.0
Net Requirement	411.7	1,195.5	1,607.2
Owner Occupied	(232.4)	(674.8)	(907.2)
Renter Occupied	(179.3)	(520.7)	(700.0)
Urban Areas --- 1964	446.2	931.3	1,377.5
In-Migration (next 10 years)	453.0	--	453.0
Net Requirement	899.2	931.3	1,830.5
Gross Urban and Rural	1,310.9	2,126.8	3,437.7
Adjustments 1965-1970	-178.0	--	-178.0
Number Becoming Dilapidated	+122.0	--	+122.0
Number Becoming Adequate	-1,000.0	--	-1,000.0
Overcrowding	+700.0	--	+700.0
Net Requirement 1970	1,132.9	2,126.8	3,259.7

APPENDIX 3

Louis Winnick Statement, Closing Session of OEO-HUD Conference on Housing the Poor.

Let me presume that the purpose of this session is to leave with the HUD-OEO people some consensus of where our group thinks their programs ought to be heading. I will not pretend to reflect anything like an accurate voting consensus of this group to things that were said, things that were not said. I will report only on my impressions of to where the group's minds were gravitating. There are at least these points that seem to have been accorded a fair amount of agreement.

One, we seem to agree on the financial dimensions of the need. Given the physical size of the problem of housing for the poor and given some rough approximation of what might be the average amount of annual subsidy required for underhoused families in America, ranging from $1,200 a year for a rural project, and averaging perhaps $600 a year, we would have to move toward an aggregate subsidy level of $1.2 - $1.5 billion a year. This subsidy could be used in different ways. It could be a direct rent supplements, it could be the capital costs of carrying subsidized public housing or it could be some form of interest rate reduction. No matter what particular means is used for the provision of federal resources for the housing recipient, the aggregate would have to approach the magnitudes discussed. This means a very difficult target for OEO and HUD to be pursuing in the coming years.

Second, I think we have reached some kind of consensus that the housing needs of the poor would have to be satisfied to a much larger extent than has been the case in previous programs by pre-empting existing housing rather than building large new projects, although both are in the picture. We are moving towards a housing program in the United States which is going to pay far more attention to the existing inventory than had been the case in earlier years and that all groups involved in this program --- Public Housing, OEO, HUD --- have to capture both substandard housing rehabilitatable and standard housing for occupancy by the poor. This is not an unimportant consensus because there have been periods in the past when housing professionals had felt that unless there were direct new construction for the poor in the full amount indicated by deficiency statistics, we would not make any gain on our problem.

Third, I think --- I'm not sure of this --- but I seem to gather that there was also some consensus reached that there would be to the fullest extent possible an effort towards home-ownership, either cooperative or outright fee, because home ownership has values for the poor which rental housing often does not. From a practical point of view, so many of the poor are located in areas which could not be reached adequately by a rental housing formula. Here again, there is a break with doctrine often heard in the past. However, when one thinks in terms of a housing program with a high degree of home ownership we realize the inadequacies of our tools. This was well brought out in our discussion. It is relatively easy to find financial formulas for renting housing subsidies but when one looks for financial formulas for home

ownership supplements, the case gets a little bit more difficult because the one likely formula that most of us talk about for home ownership subsidy is a reduced form of interest rate. But in many, many cases the financial facts are such that no likely reduction in interest rates will be sufficient to meet the monthly financial requirements for the poverty class. This means that we are going to have to innovate a new form of housing supplements which are independent of tenure; I don't minimize the problems in trying to do such things and getting the programs through Congress.

Another problem of a home ownership program is continuing maintenance. We would have to create new types of instrumentalities that would assist the poverty class in the future upkeep of their dwelling units. Now, what these instruments should be we have not talked about at length. Horty Gabel indicated one possibility at lunch today in terms of --- one that would work best in the big cities --- a public service corporation made up of skilled maintenance people. (I think Miss Atkins had this in mind as well.) Or a local community public service corporation which would have a staff of plumbers, if not the most skilled at least adequate, a staff of electricians and carpenters and would be able to move into a repair or maintenance job at well below present costs and with a great deal of sympathy for their clientele.

Fourth, I think there was also agreement, again not always the case in meetings of this kind, that the poverty class, the housing-deficient portion of the poverty class, was made up of such diverse groups that no single types of formulas could ever work and no one should be rejected on grounds of ideology

of doctrine. One must be flexible in devising tailored formulas for particular cities, particular neighborhoods, particular locations, particular classes of people that would meet particular need. This would mean that in some cases we would consider a program for suburban housing to help those who want to leave the ghetto and to consider programs for the reconstructions of the ghetto for those who prefer to remain or who undoubtedly will remain. We would consider programs for using private builders, with perhaps minimization of mortgage risk, to serve as the instrument for rehabilitation and reconstruction. We would consider using the Public Housing Authority where they were the best instrument and we would consider using nonprofit groups where they were best. We are thinking in terms of rather a rich array of instruments and tools, all of which might serve some proportion of the very large target group and none of which would serve all of them. This is the flexibility doctrine, a diversity of tools for a diversity of needs.

Then, fifth, we spent some time on technology, and while there was some amount of skepticism as to whether we would soon see technological breakthroughs that would significantly reduce the cost of new or rehabilitated housing, I thought I gathered from the group that this particular question would not be answered by deductive reasoning or by logical inference. The answer lies in actual research and experiments and we would all support a larger measure of federal support for technological research on building materials and techniques, systems analysis and see how far that will take us.

Now, sixth, what didn't come through well in this meeting, at least to my ears, was that this was a joint OEO-HUD session. I don't know whether I'm doing justice to everyone here in saying that almost everything we talked about could have been discussed with HUD alone. We were talking about financial mechanisms, financial subsidies, technology, land --- the traditional range of subjects that a housing agency deals with. Just where the amalgamation with OEO would come in was something that I thought deserved more attention than we had given it. There were few points made which went something like this: There should be a maximum amount of community participation of the poor themselves in their housing solutions so that one does not begin a neighborhood relocation scheme as something imposed by technicians on the community. That the community itself has either a high degree of control or even a sovereign role in trying to shape the types of location of housing which they will be living in. Stated this way it sounds a little Pollyannish. One must recognize that, like most things in life, conflicts result when two equally desirable objectives clash and I suppose here the doctrine of maximum participation of the poor in the housing solution may well conflict with the doctrine of the largest quantity of housing in a five year period. Experience shows that there could be lots of difficulties in trying to achieve consensus in poverty stricken areas. Which is to say (and here again I may be unfair) that the point of view of OEO with its heavy emphasis on community action is opposed to HUD with its heavy emphasis on quantity of housing. This is a

conflict that has to be bridged. OEO takes the position that community planning and the community involvement leads to desirable ends even if housing output is smaller.

Another OEO component that was raised in an important way was the question of using indigenous people for the construction and maintenance of parts of the house. Here we have a range from the self-help of an Indian reservation and the transient farm workers of our rural areas all the way to using the unemployed youth of the slum neighborhoods in the big cities. There is a fairly large job potential for the unemployed and the under-employed in the slum areas, and a device to lower the cost of rehabilitation by using something less than high-priced union labor. A point not developed is that for the first time perhaps, in our time, there is a club which one can use to confront tight trade union opposition. The present mood of the Watts and the Harlems and the Houghs is a powerful argument and while trade unions may continue to resist the use of non-union labor, there is more than a possibility of a real breakthrough.

To summarize, I think there was consensus that the rehabilitation and construction program for the poor should be accompanied by a high degree of job training and a high degree of use of indigenous people in the construction and maintenance phases. This is something HUD has not done and something that OEO is geared to do, and the two can function together. Now these are the large points that I thought summarized a very considerable amount of our discussion. We also have 3 or 4 pages of detailed points, some of which were covered in my summary and some of which were not. But rather than attempt to run through a list with no particular logical order, supposing we stop here and get from the group supplements and exceptions to my summary.

PROGRAM SUB-CATEGORY D--Legal Assistance

PART I

A. Recommendations

It is recommended that legal services be available to all concentrated poor by 1970 through the establishment of legal service centers in such areas, and that legal services be provided to a portion of the concentrated poor by means of designating private lawyers to act in their behalf.

B. Background

The legal services program is intended to:

--Provide legal advice and advocacy for the poor;

--Sponsor empirical and legal research to effect law reform;

--Educate the poor to know and assert their legal rights;

--Educate lawyers to the legal problems of the poor and how to serve the poor;

--Educate those who work with the poor--community action agency and social service workers--to recognize legal problems and assist the poor to seek legal assistance.

Neighborhood law offices in target areas are now furnishing the poor with advice and representation in all areas of the law, including welfare, housing, consumer purchases, juvenile problems, and family. For the first time legal rights in many of the areas are being recognized and enforced by lawyers and poor alike. The neighborhood lawyers, assisted by specialized back-up research litigation and legislation lawyers, and by special funded research projects, are affording group representation and doing broad

research to effect basic law reform--to develop the test case, draft the remedial statute, or achieve the administrative reform which will attack the problems of the poor at the deepest and broadest base. The lawyer in our society has traditionally catalized social action--on behalf of those who could afford his service. For the first time, the poor will have their own architects of social change of all laws and institutions--social, economic, and political as well as legal--affecting them.

The individual representation which a poor person gets from a lawyer is unlikely to mean elevation out of poverty. But legal services achieve significant improvements in economic status of the poor: an eviction averted, welfare benefits restored, an exorbitant installment contract rescinded. Just the threat of litigation brought by legal services lawyers will have a great effect on exploiters of the poor.

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PART II

A. National Objectives

More importantly, legal services are a major factor in eradicating the despair and hopelessness of poverty. A lawyer is - unlike a social worker - someone the rich having working for them too. The mystique of the lawyer as the man who gets things done - one way or the other - has been most clear to the poor who have seen the law and lawyers used to legalize and perpetuate the causes of poverty in housing, education, welfare, consumer purchases, and so on. Now the poor have their own lawyer with which to be heard and fight back. This restores the faith of the poor in our system of law (and, if legal services are given the resources to achieve law reform, their faith should not be unrewarded).

These services represent a complete departure from "traditional welfare service" legal aid and defender organizations. Traditional legal aid has reached but a fraction of the need, as its leaders readily acknowledge. Legal Aid societies have not been in neighborhoods, have restricted the kinds of cases they have handled - particularly divorce and welfare, have not sought law reform, and have not attracted top lawyers. The Legal Services Program is attracting some of the best young lawyers in the country.

B. OEO Objectives

Legal services will be available to three types of beneficiaries: (1) recipients of direct legal assistance and their families; (2) recipients of education concerning legal rights and responsibilities; (3) recipients of benefit from changes in legal structure. The universe of need varies among these three categories of beneficiaries.

C. Universe of Need

1. Recipients of direct legal assistance - Based upon the experience of existing legal services programs, one out of ten poor individuals will seek the direct assistance of a lawyer, if available, during FY 1967. In most instances, assistance rendered to an individual client will confer a benefit upon the entire family of which he is a member. If the repossession of an automobile is averted, the entire family enjoys the continued use of the vehicle. If an eviction is prevented, shelter is preserved for all members of the family, not merely the individual client. Thus, although only one out of ten individuals would seek available legal services in FY 1967, the number of individuals benefitting from these services would amount to several times that number. The universe of need for legal service in FY 1967 will total 3.2 million individual clients; the number of potential beneficiaries if those individuals were served is probably closer to ten million.

It is anticipated that the legal services program will generate a constantly increasing awareness of legal rights among the poor. As a result, it is projected that by FY 1970 one out of every five poor individuals will seek the direct assistance of a lawyer during the course of a year. This is consistent with the need and demand of the non-poor for legal services. Thus by FY 1970, the universe of need for direct legal services will be 6.4 million individual clients representing a potential benefit to twenty million individuals.

2. Recipients of education concerning legal rights and responsibilities - All persons who are poor have a profound need for continuing education concerning legal rights and responsibilities. The universe of need for this category of service is all poor adults and all poor children above the age of 21. The need is a continuing one, at least for the foreseeable future, since one does not become informed in this field in a few brief exposures to legal knowledge. Accordingly, the universe of need in FY 1972 probably will be the same as in FY 1967.

3. Recipients of benefit from changes in legal structure - All the poor need the services of lawyers to achieve law reform aimed at eliminating some of the causes and disabilities of poverty. Through litigation and legislation, lawyers can bring about profound changes in the quality of the lives of persons lost in poverty and can improve their opportunity for moving out of poverty. A single court decision extending the landlord's duty to repair apartment dwellings could affect the living conditions of millions of individuals living in city slums and rural hovels. A remedial statute tightening the consumer protection laws could increase the purchasing power of all the poor living within an entire state. It is impossible to measure the number of beneficiaries of a single court decision or legislative change. How many people's lives will be better because of Brown v. Board of Education? All who live in poverty need the same kind of legal research and representation that produced that decision and the ensuing fundamental change in the legal structure.

D. Scope and Costs of Legal Services Program

The recommended program is designed to provide legal services for all poor living in areas of concentrated poverty and for a portion of those people living in areas of non-concentrated poverty. In 1970 and subsequent years, all poor in concentrated poverty areas will have legal services available. In non-concentrated areas, some 6.4 million people will be covered by 1972 among whom it is expected that nine out of ten will seek representation. Table I shows the number of people to be served by these programs.

The legal service center concept will be utilized for areas of concentrated poverty. Each center will be equipped to handle, on the average, 2,000 cases per year and at the same time provide legal education to 3,000 families. The model urban center would be staffed by four attorneys each of whom would have a case load of 500 matters per year (an attorney could not effectively handle more). The time spent per matter will vary from one brief consultation to protracted litigation lasting months, but the average time spent per client is estimated to be five hours during the course of one year. The rural model center will be staffed somewhat higher due to client and court dispersion.

Unit cost estimates for legal service centers are as follows:

	FIRST YEAR	FOLLOWING YEARS
URBAN	$ 81,120	$ 75,600
RURAL	104,000	97,000

Ten percent of the cost of a center may be attributed to the education function, the remainder to costs of legal respresentation. The cost per case represented is thus about $34 in an urban center and $44 in a rural center. Thus, with an average time of 5 hours spent per case, the cost per hour in an

urban center is about $7. This is well below the cost of a private attorney for comparable service. Minimum bar association fee scales generally provide for charges of $20 per hour for usual representation and considerably more for trial and appellate work.

In areas of non-concentrated poverty, the system projected is modeled on the judicature approach now being demonstrated in Wisconsin and California. Tentative estimates for this service range from $80 to $100 per client per year with an administrative overhead of 10%. For the purposes of this projection, a flat $100 per case per year is used. The number of poor to be represented by this service is calculated at a constant one out of ten.

By 1972, this program is projected to be at a point where some 40 percent of the non-concentrated poor (6.4 million) will have legal representation services available. At a one to ten ration, an estimated 640,000 cases will be represented.

Projected total costs and number of centers for legal services are shown in Table II. Since Judicare has just been funded, and there has been no evaluation of the program, experience may prove the need for an alternative approach for poor in non-concentrated areas. Nevertheless the need for legal services will necessitate the utilization of some form of representation, and therefore the Judicare model has been used for projection purposes.

E. Alternatives

There are no possible alternatives other than the existing legal aid system. For reasons indicated earlier, this mechanism has been unable to provide poor with the legal services which they need.

TABLE I

LEGAL SERVICES

(Thousands)

PEOPLE SERVED

	1967	1968	1969	1970	1971	1972
Universe of Need 1/	3,200	4,200	5,400	6,400	6,400	6,400
Cases To Be Represented						
a. By Legal Centers						
Urban Concentrated	649	1,176	1,512	1,790	1,790	1,790
Rural Concentrated	128	924	1,188	1,410	1,410	1,410
Subtotal	777	2,100	2,700	3,200	3,200	3,200
b. By Judicare		30	180	340	490	640
Total		2,130	2,880	3,540	3,690	3,840

1/ Requirement for cases to be represented based on increase from 1 out of 10 poor persons requesting services in 1967 to 1 out of 5 in 1970.

LEGAL SERVICES

(Dollars in Millions)

COSTS AND NUMBER OF CENTERS

	1967	1968	1969	1970	1971	1972
Centers						
Urban	325	588	756	895	895	895
Rural	64	462	594	705	705	705
Total	389	1,050	1,350	1,600	1,600	1,600
Cost						
Urban	$ 24.6	$ 45.9	$ 58.1	$ 68.4	$ 67.7	$ 67.7
Rural	6.2	47.6	58.5	69.2	68.4	68.4
Judicature	--	3.0	18.0	34.0	49.0	64.0
	$ 30.8	$ 96.5	$ 134.6	$ 171.6	$185.1	$200.1
Federal Share	$ 28.0	$ 86.8	$ 121.1	$ 154.4	$166.6	$180.0

PROGRAM SUB-CATEGORY E -- Loan Assistance

PART I

A. Summary of Recommendations

1. Small Business Loan Program

Since its primary function is to provide credit to individuals not in poverty who do not have access to normal sources of credit because of race or the area in which they live, the Title IV Program should be transferred to the Small Business Administration.

2. Rural Loan Program

Since all the information necessary to evaluate the effectiveness of the Rural Loan Program is not yet available, this program should be held at an increase of approximately 20 percent each year.

PART II

A. Small Business Loan Program

The role of the Small Business Loan Program in the War on Poverty has been the subject of considerable concern during the past year. A major problem of this program has been finding poor or low-income individuals who can fulfill the conditions of the Economic Opportunity Act, that (1) they cannot obtain financial assistance from other sources and (2) they have a reasonable chance of repaying the loan. The successful operation of a small business requires an amount of initiative, confidence and managerial skill that often exceeds the requirements for many middle income jobs. To find a client who has not been able to earn an income above the poverty line and expect him to effectively utilize large amounts of capital is asking a great deal. The high risk and failure rate of small businesses in general makes the probability of success of such a client even more questionable. In effect, a Small Business Loan Program for poor individuals operates on the assumption that it is possible to take individuals who have not been able to earn a satisfactory income and, with the assistance of capital and some counseling, expect them to compete successfully with other established small businessmen and, more important, with more efficient large-scale enterprises.

It is true that a significant amount of counseling and considerable effort on the part of the loan recipient may enable him to benefit from loan assistance. Assuming there is a limited demand for small businesses, such a situation raises the question of whether this preferential treatment is not running other low-income competitors out of business--in effect changing the location of the enterprise. It also raises the question

of whether the costs in administering the loan and counseling the borrower could not be used more advantageously in programs that will enable him to obtain a job in a business similar to the types of business he might wish to operate.

Experience in this program over the past year has highlighted these difficulties. The limiation of loans to individuals whose incomes could be no more than $1,500 above the second generation poverty definition 1/ virtually brought this program to a halt. Even with a further liberalization of loan criteria which permitted loans to individuals whose incomes were $2,500 above the second generation poverty definition, the loan volume of this program has not increased to the point where the $28 million available for loans this year will be utilized.

As presently constituted, this program can and does serve a useful purpose by providing credit to individuals not in poverty who do not have access to normal sources of credit because of their race or the area in which they live. The need for this kind of service is great. The satisfaction of this need should not be limited because of income criteria and other devices which are intended to force this program into the poverty mold. Worthy as such a program objective may be, the provision of services for middle income members of minority groups should be the normal operating responsibility of the Small Business Administrarion. For this reason, this program memorandum recommends that the Title IV Program be transferred to the Small Business Administration in FY 1968.

1/ The formula for determining the November 15 criteria was the second generation definition of poverty plus 50 percent or $1,500, whichever was less.

The program recommendations submitted to OEO by the Small Business Administration are:

TITLE IV PROGRAM REQUEST

(Dollars in thousands)

	1966	1967	1968	1969	1970	1971	1972
Loan Funding	$28,000	$50,310	$71,748	$87,948	$87,948	$87,948	$87,948
ᴊ. of Loans	2,800	5,590	7,972	9,772	9,772	9,772	9,772
SBDC Funding	$2,601	$5,000	$7,961	$10,062	$10,062	$10,062	$10,062
No. of SBDCs	49	70	120	120	120	120	120

PART II

B. Rural Loan Program

The Rural Loan Program is administered by the Farmers Home Administration. Individual loans up to $2,500 at 4-1/8 percent interest may be made to low-income farm and nonfarm families and individuals who can benefit from a combination of capital assistance and counseling. A legislative change requested for FY 1967 will increase maximum loan size to $3,500. Loans up to $25,000 at 4-1/8 percent interest may also be made to cooperatives predominately serving low-income individuals.

The Farmers Home Administration estimates that approximately 1.6 million families or unrelated individuals in rural areas can qualify and benefit from the Title III-A loans. This number is composed of 900,000 farm and 700,000 nonfarm families and related individuals.

The Rural Loan Program to date has made approximately 25,700 individual loans and 364 cooperative loans. Over 50 percent of these recipients have less than an eighth grade education; have families with over five members; and are 46 years of age or older. Over 10 percent are receiving public assistance.

There are two other programs which provide services somewhat similar to the Title III-A program. The Small Business Loan Program provides credit for cooperatives and small nonfarm enterprises but has confined its efforts largely to metropolitan ghetto areas. The Farmers Home Administration's Operating Loan Program provides loans for agricultural borrowers. These loans, however, are short term and are used primarily to meet current expenses. There is no requirement, as in the case of EO loans, that the loan contribute to an increase in income.

Evaluation of this program is not yet completed. There is still an open question as to whether loan assistance is an effective weapon in combating rural poverty. If loans are made to people who pay them back , they may be going to the wrong people. On the other hand, if they are issued to people whose earning capacity limits their ability to repay, we may be faced with the choice of either (1) placing unreasonable pressures on recipients to maintain payments, even to the point of foreclosure, or (2) jeopardizing the creditability of the program by allowing large numbers of borrowers to default on their obligations. A contractor study is now underway by the Economic Research Service of the U. S. Department of Agriculture which will assist us in analyzing the usefulness and effectiveness of the Individual and Cooperative Loan Programs compared with other programs designed to meet the needs of the rural poor.

To summarize, the question of how effective a loan program can be in the elimination of rural poverty has yet to be answered. Although more is known now about the characteristics of the individuals this program is reaching, we still do not have a complete statistical picture of loan impact and the effectiveness of Title III-A versus other programs for the rural poor. In the absence of all the information necessary to make a complete evaluation of this program, we are recommending that the Rural Loan Program be held to an increase of approximately 20 percent each year. Table I below shows the recommended levels.

Table I

Recommended Levels
(Dollars in millions)

	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Individual							
Loan Funding	$28.0	$28.0	$33.5	$39.7	$46.4	$54.3	$63.5
NOA*	28.0	21.0	16.4	25.3	28.2	31.6	36.0
No. of Loans** (thous.)	16.7	13.1	15.7	18.6	21.7	25.4	29.7
Cooperative							
Loan Funding	5.0	6.0	7.1	9.1	12.1	16.5	21.1
NOA*	5.0	5.0	6.6	8.5	11.2	15.2	19.3
No. of Loans	375	400	473	607	806	1100	1406
Program Administration	2.0	2.0	2.1	2.6	3.1	3.7	4.4
Total							
Program Level	$35.0	$36.0	$42.7	$51.3	$61.6	$74.5	$88.6
NOA*	35.0	28.0	25.1	36.4	42.5	50.5	59.7

* NOA requirements for FY 1968 are based on the assumption that $6.0 million of unobligated FY 1967 authority will be available for obligation in FY 1968.

** The sharp decrease in the number of individual loans made in FY 1967 is due to proposed legislative changes increasing maximum loan size from $2,500 to $3,500.

PROGRAM SUB-CATEGORY F -- Nutritional Assistance

PART I

A. Recommendations

It is recommended that:

1. The Department of Agriculture School Lunch Program and Special Milk Program be made more effective anti-poverty weapons by gradual Federal assumption, starting in 1968 of full cost of providing free hot lunches to all elementary students grades K-6. This would include cost of providing facilities to serve lunches in schools which now lack them. Universe of 28.6 million will be reached in FY 1972.

If this recommendation is not accepted so that the School Lunch Program remains essentially the same, it can no longer be considered an anti-poverty program and should be removed from the National Anti-Poverty Plan.

2. The Food Stamp Plan should restrict its target population to pregnant women, and children under age 12 from poor families who are now by passed in food distribution plans administered through the schools. The program will reach 5 million of a 7.5 million universe of need by FY 1972. Administrative standardization and simplification of the Food Stamp Plan has the greatest potential of all the food distribution plans, both in terms of its contribution to the elimination of poverty and its political possibilities.

B. Background

Until more adequate income maintenance programs are available, there is a need for interim programs that focus on the individual problems which cause and aggravate the conditions of poverty. The problem of assuring adequate nutrition for young children, especially, is so critical that we think it proper to encourage the establishment of a food distribution program aimed precisely at this problem and designed around some restriction on income use, in spite

of the fact that it goes counter to the general principle of assuring that a family has complete freedom of choice in the spending of its income, whether self-earned or supplemented by public funds.

The struggle of low-income people to make ends meet often has its greatest casualties on the nutritional front. In some cases there is simply not enough money to buy the food for an adequate diet for all or any members of the family. In other cases, the food budget, being flexible, is diverted to other less deferrable uses for which money is always scarce. The lack of education on nutritional needs also helps to explain the inadequate diets of many low-income families.

Infants and pre-school children are particularly vulnerable to the ravages of dietary deficiences. The physical and mental problems which nutritional deficiencies may initiate in small children cannot always be corrected at a later age, and can lead directly to future poverty.

It is not easy to establish a quantitative connection between poor nutrition and poverty. The effects of stretching food budgets by neglecting nutritional standards may have a delayed impact, only showing up in later years as lost employment opportunities and costly medical bills. However, these effects are incipient at an early age. There is evidence to show that malnutrition can be responsible for poor school performance. The deficiency of any essential nutrient can change a well-motivated child to one who is apathetic and disinterested in his surroundings. Many of these children never make up for their poor start in the early grades, even if the deficiency is cured. OEO is attempting to eliminate poverty by giving

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educational and employment opportunities to the poor equal to those received by the nonpoor. Equality is as much making certain that people are able to take advantage of the available opportunities as seeing to it that the opportunities exist. Children in poor physical and mental health caused by dietary deficiencies cannot take full advantage of their educational opportunities. Adults who suffer from poor physical and mental health as a carry-over from childhood nutritional diseases do not stand up well in the competitive labor market.

The Department of Agriculture has a number of programs which are directed to enlarging the market for agricultural products and at the same time improving the nutritional levels of the population. In view of the fact that dietary deficiencies are more prevalent among poor families, and more serious in children, we are in favor of re-directing the efforts of some of these programs toward the children in poor families. This is where the problem is most critical and where the possibilities for preventing nutritional deficiencies as well as curing them is greatest.

The Department of Agriculture programs include (1) the direct distribution of surplus food products to low-income families and individuals; (2) the Food Stamp Plan; (3) the National School Lunch Program, and (4) the Special Milk Program.

While we agree that all of these programs are beneficial from the point of view of increasing nutritional levels, it is our opinion that only the School Lunch Program and the Food Stamp Plan have the potential to become effective anti-poverty weapons.

PART II

A. National Objective

The national objective is to insure that all children obtain the nutritional in-take necessary for maximum educational and social performance.

B. OEO Objective

The objective of OEO is to provide adequate diets to all needy children from conception through the sixth grade.

C. School Lunch Program and Special Milk Program

Experience has shown that it is probably politically impossible to restrict the entire School Lunch and Special Milk Programs to poor children. One of the primary objectives of these programs is nutrition education which all children need. Therefore, the funds are divided evenly among all schools within each state, cutting the Federal contribution to each to such an extent that very few communities can afford to give needy children a free lunch. Data indicate that of the approximately 5 million school children from families with annual incomes of less than $2,000, only about 1.4 million receive free or reduced price lunches. This program should be expanded to provide free hot lunches to all children in elementary school. In this manner, all children in poverty would be covered. The estimated cost of this program is outlined on page 13.

D. The Food Stamp Plan

The Food Stamp Plan permits the recipient an almost entirely free choice in the selection of his food items, while, at the same time, it assures that a certain portion of the income will be spent on food. The

participants in the plan purchase at a discount food coupons which they can use to purchase any domestic food product at retail food stores. The amount which they must invest in the coupons is determined by the Department of Agriculture on the basis of the nutritional needs of the family. The bonus value of the coupons varies from 26 percent to 62 percent, increasing as income decreases.

The Food Stamp Plan has been instituted in some counties within 29 different states upon the request of the county and the state. Although the Department has received more requests than it can handle, the plan is not likely to be requested by the states and communities which need it most.

The reason why many needy communities do not opt for this type of program involves the traditional local attitudes which tend to distinguish between the "deserving" and "undeserving" poor for the purpose of establishing public welfare programs. Another reason for a state's non-participation is the fact that it must share administrative expenses which rise as distribution within the state increases. Often the most needy states cannot afford these expenditures. Within the state the most needy areas may be overlooked as an attempt is made to expand the program on a contiguous basis to keep administrative costs down. It is unlikely that the program as it now operates will ever be extended into these communities which are less than enthusiastic about extending welfare programs, even if the Federal government were willing to foot the bill for the entire program. For example: only a handful of the 300 poorest counties have a Food Stamp Plan; and in Alabama the Plan is concentrated in northern counties while the more needy southern counties with large percentages of Negroes are ignored.

Other factors operate to cut down the participation of the poor in areas where there is a program. Eligibility for the Plan is determined by a means test involving both income and asset levels. Some families do not wish to take the means test or to go through a redetermination of eligibility which is necessary if they skip a month in the program. Often a family cannot produce the documentary evidence required to substantiate their answers to the means test. Many families unused to bureaucratic methods just do not have the patience to initiate the investigation or see it through to the end.

Many families do not wish to tie up their money in the food coupons or to commit to the food budget that portion of their income which is required by the Plan. Since the size of the bonus decreases as income of the family increases, a family with income just under the qualifying level may feel that the small bonus involved is not worth the trouble it has to go through to get it. Most of the Plan's participants have income at least 25 percent below the maximum allowable income.

For some families, especially those with older people, an enormous educational effort would be necessary to get them to change their poor dietary habits.

Other families just do not have access to the program because of their location and lack of transportation facilities.

For these reasons it is unlikely that the Plan, where it does exist and as it now exists, will be able to get high participation rates.

Although the Food Stamp Plan as it now operates is unlikely to be an effective method of getting at the root causes of poverty, it is our opinion that the potential of the method is such that with a re-orientation of the target population and some simplification of the administration, the Plan could play an effective role in eliminating as well as alleviating poverty.

We suggest that the Food Stamp Plan be re-directed toward small children, especially pre-school children who are by-passed in the other food distribution programs administered through the schools. In areas where there is no School Lunch Program, the Plan could include all needy school children. The Plan could also include pregnant women and nursing mothers to assure adequate initial nutritional levels for infants.

There are numerous advantages to a more closely focused program:

Improving the nutritional standards of infants and pre-school children of poor families goes beyond a temporary attack on poverty and helps to set in motion a sequence of events which can help these children to escape the poverty into which they were born by making effective use of their education. If we want people to be self-supporting, we must prevent those psychological and physical illnesses that can restrict the ability of many children to benefit from their education and decrease their chances for obtaining adequate-paying employment in the future. Concentrating the efforts of the Food Stamp Plan on this crucial population maximizes the program's preventive aspects and increases the effectiveness of each dollar spent. Its benefits continue into the future, long after the recipients leave the program.

Restricting the category of persons who are eligible would enable the administration of the program to be standardized and simplified to the extent that many types of existing institutions could be used to administer the program in the areas where the Department of Public Welfare cannot or will not cooperate. For example, a simplified plan could be administered through maternal and child health clinics, community action agencies and even private agencies. Using more varied institutions will increase the outreach of the program which can use the already-established information channels and programs of these institutions to broadcast the existence of the Plan and to educate the prospective recipients to use the program effectively. There are many low-income families who are not on welfare and therefore have little contact with the Welfare Department. They need both the education and food benefits of the Food Stamp Plan.

Some of the administrative simplifications that could increase participation of areas and recipients are:

1. Elimination of the complex trappings of the means test such as residence requirements, asset investigations, etc., and establishment of an income criterion. Experience with Public Assistance means tests has shown that the costs of these investigations are very high and do not yield much in the way of savings, while they act as a deterrent to keep needy people off the welfare roles. The new Medicare provisions have eliminated this elaborate means test, and it is hoped that this indicates a trend for future public welfare programs.*

*An analysis of the means test administered by Public Assistance agencies can be found in "Public Assistance--Its present and Future," by George Hoshino and Judith Segal of the Office of Research and Planning, Office of Economic Opportunity.

2. The establishment of Federal income criteria for eligibility. The standard could vary with geographic region, urban and rural areas, etc. Experience has shown that the determination of standards by each state in the Public Assistance Program is inefficient and inequitable.
3. A period of grace such as a month or two for families who have been in the program during which time they can continue to receive their bonus coupons upon payment of a smaller amount than is usually required. At the least, they should be able to re-enter the program without a complete redetermination of eligibility which at the present time could take as long as three months, for which time the family is without food coupons. When a family has a marginal income, it is quite likely that they will have to skip months here and there when some of the income usually devoted to the food budget must be diverted to other uses.
4. An increase in the number of times a month that coupons can be bought for those families who do not receive their income monthly. Many poor families cannot accumulate enough income at any one time to start the program.

E. The Food Stamp Plan and OEO Programs

The programs of OEO could be particularly helpful in advertising and even administering these food distribution programs where other agencies do not exist or have no interest in the programs. The Department of Agriculture

now depends upon the cooperation of the public assistance agencies to administer the means test to determine eligibility for the Plan. However, it is precisely because many poor communities do not have good public assistance programs that they need programs such as the Food Stamp Plan even more acutely than the communities which manage to pay a higher assistance grant. Further, it would be desirable to get away from the type ofmeans test used by public assistance agencies and to divorce the food distribution program from the "dole" connotation of public assistance. Community Action Agencies and programs like Head Start could introduce the Food Stamp Plan into areas which would not request the Plan otherwise and could either administer the Plan or arrange for its administration by some other community agency. The important thing is to get the Plan introduced into the community. If it is effective, pressure will develop to keep it there. Coverage of the target population through 1972 is shown on page 14 on the basis of the Department of Agriculture's estimated expenditures in this area.

F. Alternative Methods of Supplementing Poor Diets

A general income maintenance program with income supplements adequate to provide a nutritious diet for all members of the family. Although we are very much in favor of an income maintenance program of this type, we feel that the low nutritional levels of the diets of many children in poor families is too critical a problem to defer until a political consensus can be reached on a new program of income supplements. We also note that the complete freedom of choice permitted by income supplements has not always resulted in a better diet for the family. A closely focused program

such as our suggested version of the Food Stamp Plan helps to assure that resources are directed to supplementing the diet by tying a certain portion of the income to the food budget and by its educational aspects.

A Direct Food Distribution Program. While the Department of Agriculture direct distribution of surplus products has been restricted to low-income families and individuals, a high level of technical competence in cooking and meal-planning is often required to make good use of the products offered, the type and amount of which vary according to seasonal and market fluctuations. Also, from the point of view of trying to raise nutritional levels, there can be no assurance that the surplus products are not substituted for other foods rather than used to supplement the diet. In addition, many needy families cannot get to central distribution centers. We would object to the expansion of this program at the expense of resources that could be used for the revised version of the Food Stamp Plan which we have suggested above.

Expansion of the Food Stamp Plan as it Now Operates. First, we doubt that the program can be extended into areas which are generally hostile to welfare projects for reasons outlined above. Further we feel that dispersing the Food Stamp Plan efforts over the entire poor population is reducing its effectiveness to the point where its benefits are limited for the most part to a temporary alleviation of poor diets, because the scope for preventive results significant in terms of the elimination of poverty is not wide enough among the Plan's present target population.

(4) Expansion of the present School Lunch Program. The equal distribution of funds to all schools within a state has made the Federal contribution so low for each community that needy children are paying the same price for lunch as non-poor children, or else they are not participating in the program at all. (Although the School Lunch Program is available to 70 percent of the country's school children, only about 35 percent participate in the Program.) Any expansion of the program on this basis will probably keep the average Federal contribution to each lunch, which is now around four cents, too small to make a free or reduced price level available to the children that need the nutritional supplement the most.

PRIORITIES:

Although we think that it is important to assure that all poor children have adequate diets, we place the highest priority upon re-directing the Food Stamp Plan to infant and pre-school children because of their particular vulnerability to deficient diets.

Costs and Coverage of Proposed School Lunch Program

Providing a Free Lunch to All School Children

(millions of dollars)

Use of Funds	FY 68	FY 69	FY 70	FY 71	FY 72
Lunches	594	818	1,042	1,266	1,489
Facilities for 30% of schools which don't have them (one-time cost over 5-year period)	83	83	83	83	83
Total	677	901	1,125	1,349	1,572
State & Local	229	172	115	58	0
Federal	448	729	1,010	1,291	1,572
Total	677	901	1,125	1,349	1,572
Percentage of 48.2 million school children covered	24%	33%	41%	51%	59%
Lunch funds going to poor.	119	164	208	253	298

Cost and Coverage of Proposed Food Stamp Plan

	FY 67	FY 68	FY 69	FY 70	FY 71	FY 72
Estimated Budget Expenditure (millions)	$150	$250	$295	$340	$385	$425
Estimated Unit Cost	$80.20	$77.63	$84.95	$84.95	$84.95	$84.95
Percentage of Total Universe* Covered	23.7%	41.2%	44.9%	52.2%	59.7%	66.5%
Cost of Reaching 100% of Universe (million)	$633	$607	$658	$651	$645	$639

* 1967 Universe consists of 7,896,000: 5,800,000 poor children under 6; 1,400,000 poor school children 6-18 during summer vacation; 1,030,000 pregnant poor women; with the exception of the 334,000 children expected to be reached through Head Start.

PROGRAM SUB-CATEGORY G -- Community Services Support Assistance

PART I

A. Recommendations

1. Community Action Services

It is recommended that:

a. Increased emphasis be given to planning and coordination in community action agencies;

b. Increased staff be provided to Federal, state, and local agencies engaged in providing assistance to community action agencies.

2. Vista

It is recommended that:

a. Stronger emphasis be placed in rural projects;

b. Mental health and retardation and urban projects be levelled-off in FY 1967 and 1968, respectively;

c. The Vista Associates Program be expanded.

PART II

A. Community Action Service Support

1. Scope and Costs

This category is composed largely of the catalytic programs which develop and maintain the overall structure of the community action agency complex. The primary elements are technical assistance, program development and general support for community action agency central administration including an enlarged emphasis on training. Also included are provisions for certain community action supportive functions such as food and clothing distribution service, library facilities and such. Beneficiary or other output factors are not applicable to this category. The dollar levels (in millions) are projected below:

	1966	1967	1968	1969	1970	1971	1972
Catalytic Functions	48	33	$75	$101	$106	$106	$100
Supportive Functions			16	17	17	17	17
	48	33	91	118	123	123	117

2. Catalytic Functions

a. Community Action Agency Programs

Internal to a community action agency there are two primary areas which must be supported. The first, program development, establishes the structure which will later run the action program. The second, and larger in terms of dollar outlay, is the program direction function which supports the planning, management and administrative needs of the agency.

Program Development grants enable communities to organize for community action and to prepare sound and effective programs which respond to local needs. These grants are used to hire a director and minimum staff to survey a community's needs, to study existing programs affecting the poor, to develop programs that meet the most pressing needs first, to involve the poor as active planners and advisers, and to survey local resources that might finance anti-poverty projects.

Program Development grants vary considerably in size depending upon how communities choose to carry out the development work, on the relative scope and complexity of their poverty problems. Through fiscal years 1965 and 1966, these grants have ranged from $8,000 to more than $100,000 with an average value of $36,000.

Program Development grants provided a particularly important tool for first helping communities to survey their poverty problem, establish community action agencies, and launch new programs. The grants are still valuable for these purposes, but the need for them and their relative value declines as community action agencies with effective operating programs are established. Moreover, the average cost will be reduced as the larger programs are developed and funded for continuing operation. Accordingly, projections for program development grants show a sharp decrease from the 1967 levels of $6 million to $3 million in 1968, $2 million in 1969 and $1 million thereafter.

Program direction funds are allocated to the central staff organization of the community action agency. Funding must first be commensurate with the growth in number of community action agencies in order to support elementary administrative functions. In addition, it is expected that increased effort will be placed on staff requirements for the internal monitoring of the direct and delegated programs of the agency. Furthermore, the need for long range planning by the communities themselves must be borne by the community action agency if it is to be a viable organization coordinating other programs and integrating available and planned resources into an effective local war on poverty.

b. Technical Assistance Programs

At the State government level, offices have been established to aid the formulation of anti-poverty programs throughout the state.. Initially state technical assistance agencies were heavily involved in program stimulation and application writing and review. The overall program has evolved to the point where a more rational division of labor is developing. State technical assistance agencies will spend more time in the future on the following activities:

(1.) Coordination of State and State-Federal poverty-related activities.

(a.) Applied research and planning activities for future direction of State laws and functions in poverty-related fields.

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(2.) Assistance to funded CAAs in administration and in subject matter fields.

(3.) Trouble-monitoring of funded CAA programs.

Although the State technical assistance agencies have been operating for a relatively short period, Technical assistance directors are becoming the experts in their State Government on Federal grant programs. The relative freedoms of restrictions on the 209(b) grants made to the States has made it possible for these staffs to work in program areas other than Economic Opportunity Act-funded activities. This function will become increasingly important as OEO funds become committed and local agencies properly seek alternative sources for financing needed programs.

Technical assistance grants are made to agencies other than state offices. These grants generally have been made to universities to support programs of local or regional assistance. Three representative types of grants are:

(1.) A consortium of western universities was funded to provide technical assistance to Indians on Federal Reservations.

(2.) Grants were made to San Francisco State College and the University of Missouri to provide assistance to community action agencies in the Pacific and North Central OEO regions respectively. Such assistance includes aid in developing specialized program components and in general management in community action

agencies. Under both grants, university personnel are also used in the training of regional CAP staff.

(3.) Specialized grants have been made for (a) planning medical services and facilities in connection with community action programs, and (b) linking economic development programs with OEO/CAP programs in isolated areas.

All but the first of the examples cited above have a direct relationship to certain Federal programs, but there are specific relationships to specific program areas such as the obvious connection between a medical planning grant and HEW medical programs. Future grants are expected to have this kind of specific relationship.

3. Supportive Functions

Many community action agencies have fostered direct distribution of surplus foods. A good many, particularly in Appalachia, but in urban areas as well, have established libraries in neighborhood centers or in buildings utilized for the purpose. Distribution of donated clothing is a small but important activity for some agencies. The funds projected provide for facilities, transportation and staff for the mentioned activities as well as such similar activities as the local community may wish to program.

PART II (continued)

B. Vista

1. Background

VISTA represents a unique attempt to capture and encourage the spirit of volunteerism in America. It is a program which defies critical analysis due primarily to lack of relevant comparisons with other programs and the difficulty of quantifying objectives.

There is a need for dedicated people to reach out into the poverty ridden areas of urban and rural America and bring poor people into the mainstream of American life. We are proposing a variety of programs to accomplish this, but there is frequently no delivery mechanism for reaching the hard core poor. Particularly in rural areas, the poor are poorer, there is little hope, and few existing services that can be mobilized to help the poor. Indeed, there may not be sufficient expertise to submit a proposal to start a Community Action Agency. There is a unfilled gap here between poor people and persons and organizations who should be helping them. We hope that VISTA can help to fill that gap by bringing the two together.

An analysis of VISTA is constrained by the lack of available information about this untested concept. We are not really sure and cannot define exactly what the volunteers are really accomplishing and we are not sure how, or indeed if it is possible, to measure the program outputs.

The VISTA product is a committed Volunteer. The VISTA Volunteer serves as a human bridge between impoverished Americans and the multitude of public and private programs which have been created to assist them. Attempts will be made to measure the impact of the Volunteer in quantitative terms; however,

quantitative factors will always be suspect.

How many impoverished Americans will a VISTA Volunteer "reach"? Is it ten times more desirable for a VISTA Volunteer to improve the English facility of one hundred Spanish-speaking citizens than to convince ten teen-age youths to remain in school?

The VISTA Volunteer affects his clients in diverse ways. A Volunteer assigned to a block in East Harlem may provide direct and indirect services to variable numbers of people. The number of residents "reached" depends on the nature and range of skills, the level and quality of supervision, the personality of the Volunteer, and the Volunteer's concept of service and impact. If a Volunteer's activities are centered on youth counseling for employment opportunities, it is possible that his contribution to the War on Poverty will be greater than a Volunteer performing a wider range of services for a more significant number of people.

In an isolated rural setting, such as an Appalachian hollow or an Alaskan village, it appears to be easier to quantify the universe of need. For example, the average population of Alaskan villages served by Volunteers is 200 citizens. The range of Volunteer activities in these villages "reaches" most of the population. Is this significant? Is direct exposure to the clientele sufficient? Is there a "mushrooming" effect in larger communities? To what extent does the Volunteer represent a symbol independent of the number of clientele reached directly?

The VISTA research and evaluation program is attempting to answer these, and other, questions. Tentative results suggest that the quantitative universe

of need pertaining to the poverty program has only limited application to role, impact, and importance of the VISTA Volunteer.

Bringing hope, skills, and commitment to the less fortunate through full time Volunteer service is an essential ingredient in the War on Poverty. In expending approximately one percent of the budget of the Office of Economic Opportunity, the VISTA program represents a minimal investment in action-oriented research. The lessons learned through Volunteer experiences will be converted to improving grant-in-aid and manpower training programs which can relate their resources to the universe of need.

For planning purposes, and until the sensitive Volunteer role can be evaluated, it is estimated that one hundred poor people will experience a constructive change in their lives as a result of the presence of one VISTA Volunteer.

2. OEO Objective

Section 801 of the Economic Opportunity Act describes the VISTA purpose as follows:

> It is the purpose of this Title to enable and encourage Volunteers to participate in a personal way in the war on poverty, by living and working among deprived people of all ages in urban areas, rural communities, on Indian reservations, in migrant worker camps, and Job Corps camps and centers; to stimulate, develop and coordinate programs of Volunteer training and service; and through such programs, to encourage individuals from all walks of life to make a commitment to combating poverty in their home communities, both as Volunteers and as members of the helping professions.

The VISTA program has a dual purpose. It shares the goal of the War on Poverty -- to eliminate poverty in this country. At the same time, the

Volunteer's exposure to the poverty syndrome will affect his educational and career decisions and his long-term attitudes pertaining to community service and the goals of society. Thus, the impact is not only in the poor persons served, but also in the Volunteer himself. These are the goals of the program:

a. By living and working with poor people in the environment of poverty, the VISTA Volunteer should make a lifelong commitment to combating poverty not only as a Volunteer, but also in his home communities as a member of a helping profession or in other capacities.

b. VISTA Volunteers are agents of change. The VISTA role is catalytic. The actions of a VISTA produces changes in the people served and eventually in the community. The Volunteer's impact on the community is not normally predictable but change occurs. Organizations are created, revised, or eliminated; groups are formed to further newly articulated goals; leaders emerge; and programs are formulated.

c. VISTA Volunteers provide scarce skills to enable poor persons to become better qualified for existing employment, social, educational, and cultural opportunities. More than one hundred separate skills are reflected in the present contingent of VISTA Volunteers.

d. VISTA Volunteers impart skills or knowledge and motivate poor persons to better themselves. They teach people to read, write, sew, build, organize, and to hope.

3. Program Effectiveness

This plan depicts a somewhat different emphasis as compared to previous documents. The attached table shows that a stronger emphasis is to be placed in Rural Projects while Mental Health and Retardation and Urban Projects will level-off in fiscal years 1967 and 1968 respectively.

a. It has been determined that Volunteers can perform a particularly unique and useful role in areas of rural poverty. These relatively isolated communities, need help the most, but know least how to obtain it. They require a resource that will link them to the helping channels. Volunteers can often provide that resource. In isolated and frequently primitive communities, Volunteer efforts are visible, useful, and frequently result in immediate identifiable change. Priority will be given to the poorest counties (lowest two quintiles), those with large migrant populations, and to Indian reservations.

b. Urban areas are characterized by a more adequate level of resources and a greater availability of talent than are rural areas. The need tends to be, overall, less severe in these areas. This does not mean that Volunteers cannot be effective in urban areas. It does mean that the relative need is greater in rural areas and the relative effectiveness appears to be greater.

c. We are relatively unenthusiastic about the role of the Volunteer in Mental Health and Retardation projects. Their role should be to add an important dimension which the institutions do not ordinarily possess -- to prepare impoverished outgoing patients and residents of the institutions for a productive adjustment to society. Unfortunately, the institutional setting is not

conducive to exercising the unique attributes of the volunteer. In addition, it is very difficult to differentiate between the poor and non-poor in such an environment. This function can perhaps better be performed by volunteers acting in a dual role outside of the institution acting as a bridge between the community and the outgoing patient. It is felt, however, that OEO commitments require the maintenance of the fiscal year 1967 level for the foreseeable future.

d. VISTA Volunteers have proven to be particularly effective in Job Corps camps. The Volunteers serve as counselors and as a necessary bridge between the enrollees and the permanent staff. Job Corps is particularly enthusiastic about these dedicated people who live in the barracks with the trainees and serve 24 hours a day.

e. The VISTA Associates Program will provide an opportunity for Volunteers to serve for less than the normal one-year period. During the Summer of 1966, 500 Associates will be trained and will work along side regular Volunteers in Appalachia. Proposed legislation now before the Congress would authorize the expansion of this program and the conduct of additional special programs. These might include: low income persons who would serve in their own or other communities, senior citizens serving perhaps on less than a full-time basis, and special programs that combine service in VISTA with training for service or leadership in home town Volunteer programs.

The conduct of such special programs on a large scale must await passage of the legislation now before Congress. This proposed legislation, furthermore, contains the limitation that no more than 15 percent of VISTA's appropriation may be used for special programs not authorized under presently existing

legislation. Assuming that the proposed legislation is enacted, and assuming that the VISTA Associates Program now planned for the summer of 1966 proves successful, it is expected that about 2,500 summer Volunteers will be enrolled in a similar program in the Summer of 1967 (the beginning of fiscal 1968). If the legislation is passed, additional experimental programs will be conducted in fiscal 1967 to test the special programs indicated above. Programs that are successful in the experimental stage would be implemented on an increased scale.

Relationship to Other Federal Programs

Forty-seven percent of VISTA projects currently are sponsored by the Community Action Program or CAP-funded agencies. In addition, Volunteers assist communities in creating self-help organizations eligible for CAP funding, and in preparing CAP proposals.

Volunteers counsel and teach in thirty Job Corps Centers. They organize and conduct Head Start programs. They steer young people to Job Corps and Neighborhood Youth Corps. They inform rural communities of the facilities available through the Farmers Home Administration programs. They provide information on the special programs available through the Small Business Administration. They are informed of and utilize all the elements in the Federal anti-poverty arsenal.

4. Scope and Costs

The VISTA program is based on several assumptions affecting the level of VISTA operations:

a. The expansion of VISTA depends on the development of projects that will effectively use the services of Volunteers. Certainly, the availability of additional staff would enable VISTA to discharge a

more comprehensive development role. Additional funds will not insure effective and meaningful growth, per se. The absorptive capacity of communities which might benefit from Volunteers is also a relevant factor. There are cases where only a limited number of Volunteers can be productively employed. As local leadership develops, it is anticipated that the size of the full-time VISTA Volunteer program will reach a plateau in 1972.

b. VISTA envisions the reasonable expansion of the Volunteer program consistent with the objectives of the Office of Economic Opportunity and effective support of the Volunteers. VISTA plans an annual growth increment of approximately 2,000 full-time Volunteers, reaching a total of 11,750 Volunteers by June 30, 1972.

c. Some promising Volunteer projects are dependent on the availability of supervision and transportation. A number of project sponsors do not have the resources to finance these elements. VISTA's ability to offer limited financing will affect the acceptance of a number of project opportunities, and thus the level of activity. Funds for this purpose have been included in the program projection.

d. The depth of the reservoir of Americans available for full-time Volunteer service has not been conclusively probed. Several factors suggest that the reservoir is sufficiently large to accommodate the projected expansion. VISTA has received an encouraging reception on the college campus. Today, 72 percent of all VISTA Volunteers are within the 18 to 25 age group; 77 percent have some college training. As the VISTA program gains momentum, the response of the college community will increase.

The same optimism applies to VISTA's second largest source of recruits --

the senior citizens. Increasing numbers of early retirees and better health practices insure that VISTA will receive an increasing proportion of retired citizens.

VISTA is conducting special recruitment campaigns to increase the number of qualified Volunteers who come from impoverished areas. These sources include Job Corps and Neighborhood Youth Corps enrollees, the Spanish-American population, the American Indian, and urban slum residents. This will receive increased emphasis in the immediate future.

The attached table depicts the proposed multi-year program. Accumulated experience has demonstrated that initial training, in-service training, project development, transportation, and supervision require increased emphasis in order to optimize the effectiveness of volunteers in the field. Man/year costs are not expected to decline as the program size increases, but will increase slightly as larger numbers of volunteers are more difficult to recruit and projects more difficult to develop. Training costs will increase greatly as the period of training for volunteers is lengthened from the present six weeks to 7 weeks. In addition, projects requiring volunteers with specialized skills will further increase training costs. The $26 million for FY 1967, corresponding to the President's Budget, is inadequate to allow for the inclusion of a VISTA Associates Program estimated at a cost of $2.6 million in FY 1967.

It is anticipated that rural projects, while relatively effective, will be the most costly. Based on limited experience to date, it is estimated that the greater effectiveness more than counterbalances the higher costs. There are no clear alternatives to VISTA in rural areas and, particularly in light of resource constraints, this may be the only effective vehicle for reaching the poor in the poorest counties in America.

VISTA PROGRAM

($ in millions)

	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Rural Projects							
M/Y	958	2,021	2,617	3,804	5,110	6,535	8,079
Cost	5.0	10.0	16.7	24.4	33.1	42.7	53.7
Urban Projects							
M/Y	767	1,617	2,050	2,050	2,050	2,050	2,050
Cost	4.0	8.0	10.9	10.9	11.0	11.2	11.3
Job Corps							
M/Y	96	202	256	319	388	463	544
Cost	.5	1.0	1.4	1.7	2.1	2.5	3.0
Mental Health							
M/Y	96	202	202	202	202	202	202
Cost	.5	1.0	1.1	1.1	1.1	1.1	1.1
Total Projects 1/							
M/Y	1,917	4,042	5,125	6,375	7,750	9,250	10,875
Cost	10.0	20.1	30.1	38.1	47.3	57.4	69.2
Associates Program							
M/Y	106	(579)2/	1,113	1,380	1,647	1,936	2,203
Cost	.4	(2.6)2/	5.0	6.2	7.4	8.7	9.9
Other Costs 3/	4.6	5.9	8.7	10.6	12.8	15.0	17.2
TOTAL COSTS 1/	15.0	26.0	43.8	54.9	67.5	81.1	96.2

1/ Columns may not add due to rounding.
2/ Non add unfunded requirement.
3/ Includes Recruitment, Community Relations, Selection, Research, & Program Direction.

PROGRAM SUB-CATEGORY H - OTHER SOCIAL AND ECONOMIC ASSISTANCE

PART I

A. CAP Social Services

1. It is recommended that services not otherwise adequately provided to the poor be continued. This would especially include an augumentation of consumer action programs, including consumer education.

B. Public Welfare Services

1. It is recommended that the provision of social services be separated from the Administration of Public Assistance payments and made available to all low-income persons and families.

PART II

A. CAP Social Services

1. OEO Objective

While education, vocational training and jobs are programs dealing most directly with opportunity for people to no longer be poor, there must be a certain amount of assistance to provide poor people the form of help that will allow them to do better with what they now have and to give them a more positive outlook on the future.

2. General Concepts

The general concepts which govern the projects shown in this section are:

a. Programs will be situated primarily in areas of concentrated poverty.

b. The multi-purpose service center will be the vehicle for dispensing services and although certain programs are spoken of in the sense that they have their own facilities or centers, these will be a part of or contiguous to the multi-purpose service center.

c. Programs are not intended to replace or duplicate similar existing programs under other sponsorship.

d. Programs must either promise better utilization of existing personal resources (consumer education) or be directed to special age groups (youth and aged) who will through them receive social benefits if not necessarily direct economic benefits.

The major program components are consumer action, homemaking and home management, and provisions for special programs.

Each of these is described below:

3. Consumer Action

Almost all of the poor who are of an age to buy food or make major purchases could use some form of consumer action program, be it a credit union, consumer education, financial counseling, or some form of group action to solve a common problem.

To be meaningful, the universe of need of consumer action programs must be defined in terms of problems as well as people, since to the extent the poor pay more for goods and services, they are deprived of the benefits of their limited incomes. The poor pay more because of:

-- the inability of some low-income persons to define consumer problems,
-- lack of shopping sophistication,
-- lack of credit at a reasonable price,
-- lack of community resources,
-- lack of marketing opportunities,
-- inability to act as a group,
-- lack of leadership,
-- lack of housing opportunities,
-- lack of legal services.

Experts have estimated that more than $2 billion a year are siphoned off the economy by small loan companies and disreputable merchants with shady credit practices. The importance of this to the poor is clear. A 1961 Bureau of Labor Statistics survey indicated an urban family of four with an income of $2,644 spent an average of $3,709, a figure that comes to

140 percent of their income. The BLS figures counted as expenditures that total cost of goods and services even if they were bought on credit. This indicates that families living in poverty go into debt 40 percent of their income each year. This figure points up the need the poor have for consumer action programs.

In the past year, there has been a change in the direction of consumer programs away from "education" towards action.

The poor have failed to respond to the traditional "blackboard" approach to consumer education, and to remedy this, OEO consumer programs are beginning to stress group action to solve specific neighborhood problems, and individual problem solving and counseling to assist individuals with chronic consumer problems.

It is proposed that a community consumer action center be the structure through which services are organized and delivered by and for the community served.

The Center consists of a:

a. Consumer Action Council which plans, implements, and directs the activities of the whole Consumer Action Center, and whose members are residents of the neighborhoods to be served.

b. Debt Consolidation and Reduction Service - designed to provide poor people with trained counselors who can review their debt problems, negotiate with creditors in their behalf, attempt to secure commutation or reduction of the debt, or to consolidate, pay off, and refinance a new, more manageable debt account at the community low-cost credit service.

c. Legal Services Division - The Center can use existing OEO-funded programs where they exist, or new ones can be implemented. Other private community resources can also be tapped, such as Legal Aid programs.

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d. Community Consumer Liaison Council will draw on all the resources of the target community, representing consumer, business, and labor unions alike. It will serve in an advisory, consultant capacity to the Consumer Action Council. It will have an essential function in supporting the Consumer Action Council through advertising and recommending to the community at large the standards of good merchandising set by neighborhood residents.

e. Low-Cost Credit Service Debt reduction, consolidation, and counseling are the first steps in stabilizing individual finances in the ghetto. The next requirement for stability is access to reasonable, negotiable credit. The low-cost credit service is designed to fill this need.

f. Consumer Education/Action Clinics Indigenous personnel are employed, trained and paid to set up small action clinics in the Center and in the neighborhood. Class discussions, visual demonstration, and shopping tours are an integral part of training.

The OEO consumer action program is closely allied with other Federal programs:

a. The President's Committee on Consumer Interest. OEO maintains a close liaison with the President's Committee and is working on several joint projects: e.g. improving the quality of Government consumer publications and making them applicable to the needs of low-income persons; organizing a series of consumer action conferences to alert the public to the problems of low-income consumer and train community action program workers.

b. The Food and Drug Administration. Liaison is maintained with Director of FDA's Consumer Programs. FDA has been encouraged to concentrate efforts on the problems of the poor.

c. The Department of Agriculture. Liaison is maintained through the Rural Task Force, and through contact with the Farmers Home Administration.

d. Department of Labor. The Bureau of Labor Statistics is cooperating with OEO in carrying out a survey to determine the extent to which "The Poor Pay More."

e. Health, Education and Welfare. The Bureau of Federal Credit Unions is organizing a training program for the managers and staff of OEO-funded credit union and other credit unions operating in low-income areas.

The recommended level (in millions for consumer action program is:

1966	1967	1968	1969	1970	1971	1972
		$10.0	$14.0	$20.0	$24.0	$30.0

The cost is calculated on a rather arbitrary basis of an average cost of $70,000 for a center. This is for staff [illegible] and related overhead; provision for Federal support of loan funds is not provided. The total number of centers is predicated on providing a consumer action program in about one-third of the neighborhood centers by 1972. Full coverage of neighborhood centers and a more heavily staffed and funded consumer program is not recommended since the following alternative prospects must be considered:

a. New Legislation. Tighter truth in packaging laws, tightening the interest rates charged by small loan companies, laws restricting annual interest rates allowable on long-term credit, all could help stretch the meager income of the poor. Much of such credit law is regulated under state statutes that vary greatly. A uniform consumer credit law could do much to integrate the varied efforts at supervision and control of credit.

b. Legal Services. An increase in consumer fraud investigations, and prosecution of guilty parties, on the part of state and local government and on the part of the legal services program would decrease economic exploitation of the poor.

c. Direct Income Payments. Some of the credit problems of the poor might be overcome if they had a guaranteed income. While it would not do away with the need of some consumer action programs, it would make it easier for poor people to gain credit at reputable stores, and would offer an incentive to retail businesses to develop stores in slum areas.

d. A Concept of New Local Shopping Centers in Low-Income Urban Areas. A provision should be made for new groupings of retail stores to service low-income areas. This will depend on new construction planned for the areas. It will depend on current or future transportation. Such a broad approach could do much to attract new stores to low-income areas. It would do much to obviate the need for programs to protect the poor from economic exploitation. The first step in such a plan would be the development and promotion of retail proto-types for low-income urban areas.

)ther Assistance

a. Homemaking and Home Management

A variety of programs are now underway to provide services and instruction to the poor for the betterment of their home life. Home management instruction components offer assistance to the poor in budgeting, shopping, care of home, clothing and nutrition. Homemaker service components provide emergency care of unattended children and care for the aged. Other programs may involve home improvement projects (printing, minor repairs) and other neighborhood cleanup campaigns.

The mix of programs and the specific contents of programs is a matter of local determination and local priority. Any single program could be looked upon as having a merit to itself. For example, many food preparation instruction courses have been designed to teach the poor the best way to prepare surplus commodities and how to plan nutritionally balanced meals. In a broader context, these programs as a whole may be looked upon as a means of promoting community involvement and a means of reaching members of poor families who might otherwise not be aware of important services the local poverty program could provide.

The recommended program for homemaking and home management components is projected on purely a level of effort basis.

($ in millions)

1968	1969	1970	1971	1972
$6.0	$8.0	$10.0	$11.0	$13.0

b. Special Programs

The projection for special programs reflects the need to continue a variety of social and community programs oriented towards special social problems of poverty areas. Notable among these would be the summer programs

for youth. Among these programs could be recreational activities, neighborhood work projects, special centers for youth and cultural enrichment.

Other programs would be directed to the community as a whole or might be oriented to special age groups, the aged for example.

While demand for special programs may increase, the establishment of cohesive community action programs will be an offsetting factor. Funding is projected as shown below:

1968	1969	1970	1971	1972
19	20	20	21	20

B. Public Welfare Services

1. The Problem

Public Welfare Administration combines the function of making public assistance money payments and the function of providing social services into one program, commonly known as "public welfare." Some of the services offered are counseling on child care, home management, personal and family problems; arranging foster home care, work training, and job finding; reconciling separated parents, obtaining support from deserting fathers, planning for medical and hospital care, finding decent living quarters, and enlisting the support of family and friends.

The provision of social services should be separated from the administration of public assistance payments and made available to all low-income persons and families. Since the proposal envisages the shifting of social workers from eligibility investigations to provisions of services, there would be no costs attached to the separation, and it is likely that the

efficiency of both the payments and services program would be increased.

The joint administration of services and payments has led to excessively individualized administration of the money payments as behavioral standards based on moral judgment tend to be imposed on recipients as conditions of receiving the public assistance money payment. The welfare applicant requesting eligibility for the payment is hardly in a position to refuse services pressed on him by a determined social worker.

The joint administration has also reduced the quantity and quality of services that can be made available by the welfare agency, as more than half the resources devoted to the provision of services, including the time and energies of professional social workers, is used to apply the means test, i.e., to determine eligibility for the money payment. We recommend in the Program Memorandum on Income Maintenance that the means test be simplified in order to improve the administration of and the attitude toward the public assistance payment. A simplified means test could be administered by clerical personnel, would cost less, and the professional social workers now used to determine eligibility could be used to provide genuine social services to welfare recipients and other low-income persons.

The joint administration of payments and services has been established and supported on the basis of two myths which have yet to be completely dispelled among social workers and public administrators, as well as the public in general. The first is that the public is entitled to a chance to "reform," through services, those who must depend upon public funds for income maintenance. Actually, services must be desired and used intelligently

before they can be expected to have any favorable influence upon the lives of the people receiving them. The usefulness of forcing services of this type upon welfare recipients is certainly open to question when we see that many persons with more education and a higher degree of social sophistication have difficulty utilizing this type of service effectively, even when they are paying for it themselves.

The second myth is that services will reduce public assistance roles by helping persons and families to become self-supporting. The claim that welfare services can substantially reduce public assistance caseloads and expenditures rests on shaky ground. First, public assistance caseloads and expenditures are determined primarily by program policies. If the standards of need are raised and the conditions of eligibility simplified, caseloads and expenditures would rise despite the level of services. The magnitude of the public assistance rolls is also affected by the coverage and adequacy of other income maintenance programs and the state of the labor market and economy in general. Second, the bulk of recipients are children and their mothers, the aged, and the disabled, most of whom are not employable regardless of the services they receive.

2. National Objective

The national objective is to increase the quality of services available to the poor.

3. OEO Objective

The separation of welfare services and payments will serve OEO's national goal, that of eliminating poverty, in four ways:

a. It will encourage a wider participation of the needy in public

assistance programs, because one of the most degrading aspects of public assistance, the pressuring of recipients to accept unwanted (many times unneeded) services will have been removed.

b. It will encourage a wider acceptance of social services by all low-income persons and families for many of whom the services were previously tainted with the "charity" aspect of the "dole."

c. It will place the services program of public welfare agencies in a better position to be concerted with other community social services. (The importance of "concerting" services is discussed in the introduction of this Program Memorandum.)

d. It will increase the output of social services by releasing professional social workers from clerical tasks and permitting them to spend full time in social service work.

4. Scope and Cost of Service

The cost of separating the services from the payment program is zero. Because we are not recommending any increase in the quantity of services, the social workers released from the eligibility determination work in the payments program will be sufficient to maintain services at their current level.

Program Sub-Category I -- RESEARCH AND DEMONSTRATION

Part I

A. Recommendations:

Conventional methods of attacking the causes and effects of poverty have not succeeded in eliminating poverty. The whole approach of OEO programs and particularly the community action concept is to try new methods and concepts. In order to separate the successful from the unsuccessful and to demonstrate the feasibility of entirely new approaches under reasonably controlled conditions, a substantial effort must be devoted to research and to demonstration projects.

1. The major element of the recommended program is an unconstrained effort to saturate a number of major cities with all relevant public and social services in an attempt to prove that a concerted effort can eliminate poverty.
2. The recommended program also proposes continued effort in the several fields of research and demonstration which have currently been undertaken.

The level for continuing research and demonstration is to an extent predicated on the existance of the major city demonstrations and would be reexamined should less than a major effort be expended on the city demonstrations.

B. Background

1. Demonstration City CAP

Under constrained conditions, sufficient social services are not available to assure break-up of the community of poverty. As has

been indicated, the concerting function of CAP is aimed at mobilizing the services within a community to attack the community of poverty as effectively as possible. However, the services that are mobilized are in existence as much for historic as for functional reasons and there are not enough of them. Success would be more likely if all that were required of the necessary services could be provided.

The argument here is that there may be a threshold effect. Above a threshold of available services, the community of poverty may begin rapidly to dissolve. Unless the threshold is reached, services are ameliorative but may not alter the cycle that keeps people poor. The threshold thesis, incidentally, was part of the reasoning of the juvenile delinquency programs and of the foundation programs that preceded community action. Because of various pressures, programs that were supposed to provide saturation of neighborhoods were invariably dissipated in some fashion or other and the threshold thesis never really tested.

2. Continuing Research and Demonstration

The projections for continuing research and demonstration are predicated on the assumptions that (a) the major city demonstrations will provide valuable results that can be applied in specific programmatic areas, (b) major efforts must be initiated in 1968 and 1969 in order that action programs which grow in later years may take advantage of early demonstration results, but (c) in most cases research and demonstration projects are two and three year undertakings; and, therefore, sustaining funding levels must be maintained.

Also reflected in the estimates is the cost of the concept of national demonstrations. OEO has undertaken to use a portion of its demonstration funds for implementation of national demonstrations. A national demonstration is the implementation of a general demonstration concept in at least one community in each of the seven OEO regions. It is through this means that OEO seeks to assure the extensive replication of demonstration findings in contrast to the present generally haphazard pattern for extension of innovative programs. Funds allocated for particular substantive areas thus may represent the carrying out of a demonstration plan in as many as twenty communities.

Part II

A. National Objective

The national objective is to develop new ways to eliminate poverty.

B. OEO Objectives

1. Demonstration City CAP.

OEO will saturate several cities with services in order to demonstrate that a massive concerted effort can markedly affect a change in the poverty levels of a community.

Saturation would be achieved in the situation where a poor family has ready access to every public or social service that it seriously needs -- housing, medical care, family counseling, job training, and so forth. (Estimates are based on optimal levels of current OEO programs, doubled to permit experimenting with provision of other services or subsidy or supplementation of existing community services to bring them up to a saturation level.) In theory, then, no service would break down because another necessary service was not available to complement it. For example, no mother would have to give up taking a literacy program because she could not find facilities to care for her child.

The saturation or threshold thesis is obviously expensive to operate and we propose to try it out in several selected cities. We propose to do this even at the cost of holding similar services to a lower level nationally than would otherwise be necessary.

2. Continuing Research and Demonstration

a. Health Assistance -- The primary effort in this area is anticipated to be demonstrations in the training and employment of subprofessionals. In addition, some projects will be aimed at demonstrating the coordination of existing services to better meet the needs of the poor. Additional work must be done to demonstrate ways to provide better services to rural poor.

b. Housing and Community Facility Assistance -- Housing demonstration funds are intended to provide new means for providing standard housing for the poor by exploring new and untried rehabilitation and construction methods and fostering various loan programs. Current projects include experiments in non-conventional low cost new housing for rural areas, Indian housing projects and the New York rehabilitation demonstrations.

c. Legal Assistance -- Continued demonstrations of new ways of providing legal services will be explored. The Judicare program is an example of the type of demonstration which has already been undertaken.

d. Other Social and Economic Assistance -- Research and demonstration will be undertaken in specific major program areas such as consumer action and projects for the aged. Provision is made for support of programs which can test, develop and experiment

with new concepts for delivery of services. Also, research and demonstration projects will cover the several sub-programs that are engaged in the delivery of welfare and related services to the poor. Here, projects concerning neighborhood centers, settlement house programs, public welfare and community organization are to be undertaken. Other major categories of effort are evaluation of local community action agencies and their component parts and demonstrations of new training programs adapted to meet the needs of the poor.

C. Relations with Other Federal Programs

1. Demonstration City CAP

Saturation to achieve a threshold effect involves all the public and social services that might be relevant. It would be expected that the saturated services would catalyze the resources of other agencies.

Assuming that HUD's demonstration city program moves forward, it would be most appropriate to arrive at agreement with them and on the same demonstration areas. The two agencies' resources could then be joined in an attempt to achieve saturation.

2. Continuing Research and Demonstration

A major function of research and demonstration is to develop programs which will stimulate the available services into more effective anti-poverty instruments. For example, the training of health sub-professionals is expected to lead to larger training programs administered by agencies other than OEO.

D. Alternatives

1. Demonstration City CAP

The alternative appears to be to operate services in increments determined by the availability of funds, as if each increment had equivalent value for exit from poverty. At best, it seems unlikely that a little health care is worth a proportional fraction of adequate health care in exit-from-poverty terms. And it seems unlikely that job training and job placement are worth as much separately as if both are provided at once.

E. Scope and Costs

1. Demonstration City CAP

The calculations of costs are based on one concentrated poverty area containing 141,000 poor out of a total of 509,000 people. The unemployment rate is assumed to be between 8 percent and 9 percent. These calculations are then used to produce a base for 5 major demonstrations in areas of concentrated poverty.

The cost (in millions) of this effort is calculated to be roughly as follows:

1968	1969	1970	1971	1972
219	294	364	307	358

2. Continuing Research and Demonstration

The projected dollar levels for these are:

	1968	1969	1970	1971	1972
Health Asst.	$12.0	$16.0	$20.0	$24.0	$25.0
Hsg. & Com. Facil. Asst.	8.0	12.0	13.0	14.0	14.0

	1968	1969	1970	1971	1972
Legal Asst.	3.0	3.0	3.0	3.0	3.0
Other Soc. & Econ. Asst.	72.0	62.0	47.0	42.0	35.6
TOTAL	$95.0	$93.0	$83.0	$83.0	$77.0

OFFICE OF ECONOMIC OPPORTUNITY

PROGRAM MEMORANDUM
ON
INCOME MAINTENANCE

FY 1968-FY 1972

JUNE 1966

PROGRAM MEMORANDUM:

PROGRAM CATEGORY IV -- INCOME MAINTENANCE

Part I

A. Summary of Recommendations:

This memorandum recommends the adoption of a Negative Tax system which, by complementing the other programs in this submission will finish the job of ending poverty by the end of 1976. The proposed program would provide immediate and visible assistance to 34 million poor people in a manner that encourages individual effort to escape from poverty. Further, it will strengthen both the competitive market structure and the system for providing transfer income.

The essence of this system is a schedule of allowances that provides incentives by rewarding the person for work. The Negative Tax is an opportunity program. For the individual, money means choice -- choice of education and training for the development of future capabilities. Further, this floor of support provides flexibility -- the flexibility to search for a decent job rather than take the first poverty job offered so as to avoid starvation. In short, the Negative Tax is designed to break the cycle of poverty.

The provision of a floor of support will also help make the market for labor more responsive to competitive needs. Once it is fully implemented in 1976, the Negative Tax should eliminate the need for the minimum wage. Labor will be able to respond to demand without receiving a starvation income. Thus, the market will become more sensitive to the real productivity of the worker.

However, many of the poor, including most of the aged, cannot make use of opportunity programs. For these people money payments are the only means of ending poverty. The proposed program provides the needed income without the demeaning aspect of the present Public Assistance Program. It is recommended that the Negative Income Tax would gradually replace all Public Assistance payments, ending the need for the present welfare system by 1972. In the interim we recommend changes to improve the Public Assistance mechanism so those who remain under it may be more humanely treated over the next few years.

The Negative Tax will relieve strains on the Social Security System to make it more responsive to poverty. Once freed from these demands, the Social Security System may be improved so that it will be more responsive to all of the needs of the aged.

The proposed Negative Income Tax provides these benefits:

1. The end of poverty;
2. The elimination of the repressive Public Assistance program;
3. A system of allowances that rewards work, thereby encouraging people to move well beyond poverty levels;
4. Sufficient income so that people may choose to increase their capability through education and training without being forced to a starvation level;
5. A strengthening of the competitive market system which will eliminate the need for a minimum wage and permit a greater tie of wages to real productivity; and

6. A reduction in strains upon the Social Security System so that it may be modified to become responsive to the needs of all of the aged.

The program is designed to begin in 1968 and develop by stages through 1976. The cost to the Federal Government will rise from $2.9 to $17 billion by the end of the period. It is a program well within our financial capacity. By 1976 the cost will represent less than 1.5 percent of a Gross National Product in excess of one trillion two hundred billion dollars. Surely no nation can claim morality if it allows one person to be poor under such circumstances. With this program we can celebrate the 200th anniversary of political independence with a new freedom from want.

OFFICE OF ECONOMIC OPPORTUNITY
NATIONAL ANTI-POVERTY PLAN
FY 1966 - 1972

June 15, 1966

PAGE 6 OF 10 PAGES

(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966		FY 1967		FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
IV. INCOME MAINTENANCE				$12,944		$14,298		$17,198		$18,223		$18,948		$19,898		$21,457
A. NEGATIVE INCOME TAX			--	$ --	--	$ --	--	$ 3,300	--	$ 4,750	--	$ 6,225	--	$ 7,925	--	$ 9,700
1. Gross Cost Negative Income Tax	Treasury		--	--	--	--	--	$ 3,300	--	$ 4,800	--	$ 6,375	--	$ 8,200	--	$10,200
2. Positive Tax Offsets	Treasury		--	--	--	--	--	--	--	$ - 50	--	- 150	--	$ - 275	--	$ - 500
B. PUBLIC ASSISTANCE			--	$ 2,523	--	$ 2,541	--	$ 2,141	--	$ 1,716	--	$ 966	--	$ 216	--	$ --
1. Public Asst. Programs	HEW		--	$ 2,523	--	$ 2,541	--	$ 2,141	--	$ 1,716	--	$ 966	--	$ 216	--	--
C. ALL OTHER FEDERAL PROGS.			--	$10,421	--	$11,757	--	$11,757	--	$11,757	--	$11,757	--	$11,757	--	$11,757

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Part II

A. The Problem

Poverty, as characterized and measured by income deficiency, can be attacked through earnings or through transfer payments. It is conceivable that poverty could be eliminated by exclusive concentration on one or the other of these two ways of increasing income. But it is both inefficient and unnecessary to do so. The human investment programs which aim in the short- or long-run at increasing the economic capacities of the poor cannot be expected to provide every last person with the ability to support as many dependents as he or she may be responsible for. On the other hand, exclusive use of transfers without any attention to development of the productive capacities of the poor is both wasteful of resources and disregards the earnest desire of the poor to raise their economic status through their own efforts.

We should use both means of raising incomes above poverty on grounds of efficiency alone. Up to now, the War on Poverty has concentrated on earnings, either in the short-run through training and education of adults and youth, or in the long-run through Head Start. It is time to begin using the transfer route both because there are many poor who cannot be reached through the labor market and because transfers can increase the effectiveness of the human investment activities.

A transfer mechanism must, however, be carefully designed to support rather than conflict with other anti-poverty measures, particularly those focused on earnings. It must provide substantial incentives for everyone to work and to develop his earning capacities. It must also provide a floor or guaranteed level of income for those who can't, won't, or in any case, don't earn. The guaranteed level of income must enable them and their families to live in decency and remain in a position to take advantage of opportunities for further improvement.

A guaranteed minimum income for everyone is a goal we can easily afford. It is mainly a question of our will to use a part of our abundance in this way. If we are genuinely determined to eliminate poverty, a guaranteed minimum income is something we can't afford to do without.

B. General Analysis of Redistribution Schemes

Any transfer or income maintenance scheme should be considered in the context of the entire tax and transfer system as it relates both to the individual household unit, and to the aggregate of all household units. It is in this context that the implications for incentives can be seen clearly, and the total resource constraints can be observed.

The problem is most conveniently presented in a diagram such as Figure 1. Earnings are measured on the horizontal axis and spendable or take-home income is measured on the vertical axis. If there were no taxes on earnings and no transfers, the function relating the two would be a line from the origin with unit slope. A simple proportional scheme which taxed earnings at a flat 10% would be represented by a line from the origin with slope .9. Our current income tax structure, as faced by a family with four exemptions, would be represented by a line from the origin with unit slope up to earnings of $3,000. In words, the family keeps all it gets up to that level. The function continues from that point with a slope of .86 and shows further reductions in slope as higher taxable income brackets are reached.

In this framework we can see the incentive provided for increments or decrements of earning effort in terms of spendable income. Under our current income tax scheme, and ignoring other taxes for the time being, the earner with three dependents gains a full dollar for each dollar earned as long as his income is below $3,000, and he keeps 86 cents of each dollar earned in the next bracket.

Now consider an income maintenance program which offers to provide this family a minimum income of $3,000 by giving it a transfer in the amount of any difference between its earnings and $3,000. The combination of this offer and the current tax structure produces the function shown in Figure 2.

Figure 1

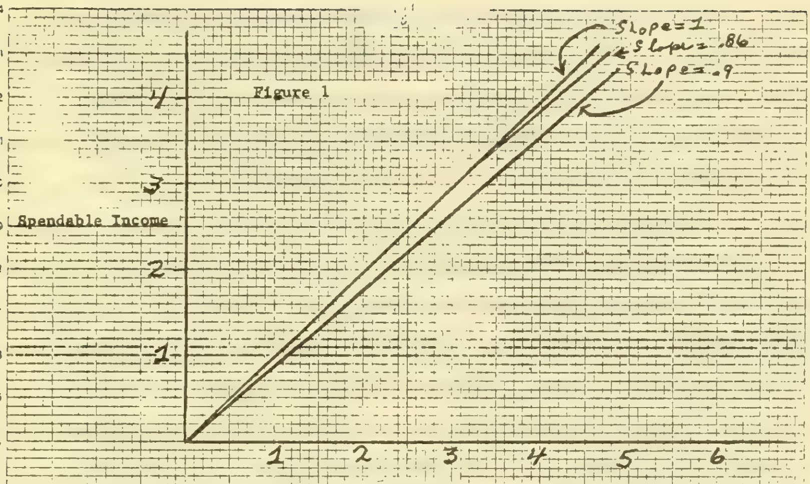
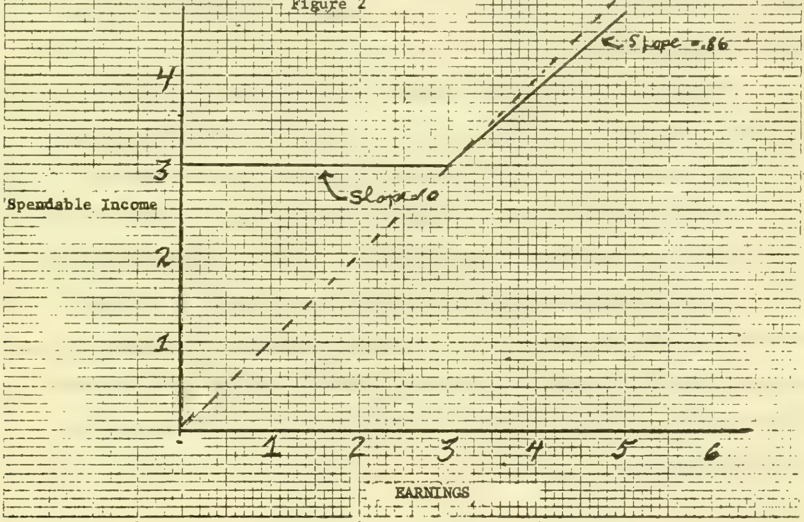


Figure 2



Here it is evident that the incentive provided by spendable income is entirely absent for anyone who could expect under the best of circumstances to earn no more than $3,000. For someone who can, by working full-time at an exhausting task, earn as much as $4,000 the incentive provided by the added $860 of spendable income is extremely weak--people have been known to retire when offered a pension equal to 78% of their salary.

It is possible to construct a function such as the one in Figure 2 which relates earnings to net spendable income after all taxes and transfers for which an individual or family is eligible or liable. Each such diagram presents a summary of the alternatives available to the unit and the unit decides, within limits, how much effort to exert in earning, or trying to earn, income. The aggregated result of the tax and transfer system and a multitude of individual decisions is a certain supply of labor and a net revenue to government which is used for public services, defense, etc.

Any substantive change in the transfer, or tax structure, would be reflected in a change in the shape of the all-inclusive function relating earnings to spendable income. If we must hold the net revenue constant, then any change which results in increased spendable income for some families must result in less for someone else unless the change in incentives leads to more labor supply and hence larger total earnings. We must, in general, be prepared to make and defend the value judgments required to support giving Poor Paul $1 through a change which leaves Prosperous Peter anywhere from say $.50 to $2 worse off. The outcome depends on how the incentives affect labor supply.

Before leaving the general discussion, two points can be conveniently explained in terms of the diagram used above. First, any tax and transfer scheme which provides minimum income guarantees must, when represented in the diagram, commence at the guarantee level on the vertical axis. For example, Figure 3 the functions for a family of four, say, shows guaranteed income of $3,000 when there are no earnings. Moreover, if the scheme is to provide incentives for earnings the function must increase steadily from that point, and hence, <u>must</u> provide net transfers to families that earn more than the basic support level. Even with the minimal incentive provided by a 66% marginal tax rate shown by the lower curve, families are still receiving transfers up until they earn more than $4,500. With a lower 33% tax rate and a higher incentive for work, the break-even point must also be higher. As shown by the upper curve, it is exactly twice as high.

The second point is that at this level of abstraction, the system represented by, say, the higher curve can be given many institutional interpretations. A universal demogrant* of 750 untaxed dollars per capita combined with a one-third tax on all earned income would look like that. So would a family allowance of 4,500 taxable dollars with a tax of 33% on the total of allowance and earnings. Again, the same function would be appropriate for a negative tax scheme which "refunded" one-third of the difference between earnings and total exemptions of $9,500 and taxed all earnings in excess of exemptions at the same one-third rate. At a more realistic level, names such as demogrant, social dividend, negative tax, etc., may refer to substantively different schemes because of implicit, and highly variable,

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*A demogrant is a regular payment made to an individual purely on the basis of his demographic characteristics such as age, sex, and family status. As used above, the demogrant is the same for everyone.

assumptions about how these schemes are fitted into the current tax-transfer structure. As the diagram shows, however, any change which (1) provides a given level of income guarantee, and (2) provides comparable money incentives for productive efforts is pretty much the same in aggregate economic terms no matter what it may be called.

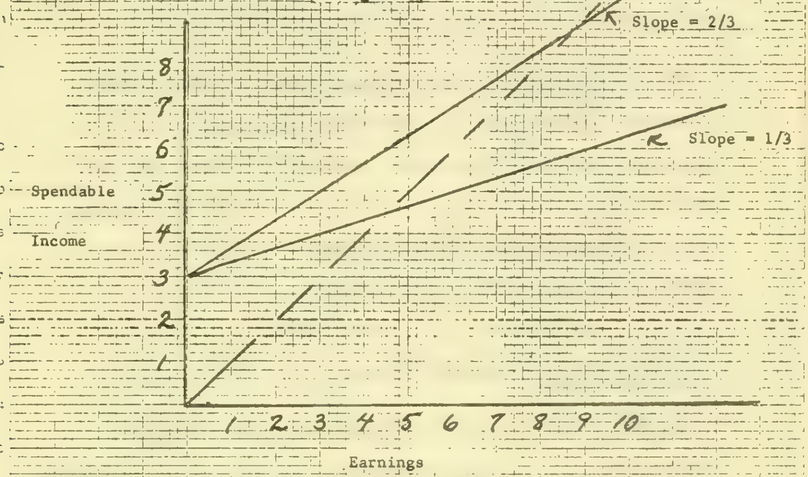
C. Specifications for Income Maintenance Program.

The general objective is to "open to everyone the opportunity to live in decency and dignity." The following section considers the implication of this objective with respect to the present programs and proposed changes.

1. Income maintenance must reach all for whom it is intended. Public Assistance at present provides income maintenance to specific categories of the poor--the aged, the child in a broken home, etc.,--but it reaches only a fourth of the poor. It does not even reach all of the poor who are in the eligible categories. The objective of providing all with the opportunity to live in dignity, would appear to require that such categories be abandoned and an approach be found now that will assist all for whom decent provision is not made at present.

2. Income maintenance must provide a more adequate level of support. Public assistance is administered by the individual states and provides varying levels of support, but the levels are nearly always below local standards of need as well as below the official poverty thresholds. In the poorer states, this is particularly true in spite of higher levels of taxing effort in those same states.

Figure 3.


Slope = 2/3
Slope = 1/3
Spendable
Income
8
7
6
5
4
3
2
1
1 2 3 4 5 6 7 8 9 10
Earnings

Again, the objective would appear to call for increases in levels of support at least to the official poverty levels.

In this connection it must be emphasized that adequate income maintenance not only provides opportunities to live, i.e., consume, at decent levels, but also promotes opportunities to produce. Improved nutrition, health care, shelter, and clothing can all be bought with additional money and all tend to increase people's ability to work or learn.

3. Income Maintenance must provide incentives for work and self improvement.

This characteristic is almost obligatory given the first two. Incentives are more or less irrelevant if the assistance is limited to categeories which couldn't or shouldn't work in any case. They become crucial when assistance is made general. Again, if assistance is inadequate enough and further tainted by public disapproval and personal humiliation there will be substantial incentives to get "off welfare" if at all possible. But, as support levels increase without a concomitant increase in non-economic deterrents the incentive issue becomes more important.

Public assistance as presently administered, tends to provide very small money incentives for increasing earnings. In some cases, earnings are entirely deducted from benefits as in Figure 2. In very few states will assistance programs provide significant work incentives.

4. Income maintenance must not be made conditional upon acceptance of degradation.

As mentioned above, non-economic deterrents are often used in an effort to minimize welfare costs. However justified such rationing methods may be when we cannot help all who need assistance, they must be eliminated when we are prepared to help all.

Further indignity is often imposed on welfare recipients in the form of detailed review and control of expenditures. Such enforcement of a standard norm is both unjustified in terms of satisfying the felt needs of the recipient and is more likely to produce attitudes of dependency than a straight money grant.

D. <u>The Proposed Program and the Principal Alternatives.</u>

In view of the desired specifications for an income maintenance scheme, the negative income tax has been chosen as offering the best mechanism for achieving the over-all objective. In this section a negative tax scheme will be briefly described along with two principal alternatives and the reasons for choosing the negative tax will be presented.

1. <u>The Proposed Program</u>:

The Negative Tax System recommended for adoption in 1968 would operate separately from the present Federal Income Tax. It would provide for payments to any household unit which has total money income less than a schedule amount based on family size. The size

of the payment would be equal to 50% of the difference between the maximum income for eligibility and the family's total money income.* In the initial year the eligibility schedule is the same as the exemptions and minimum standard deductions for the regular income

*Payment computations for families of 8 or more persons will be made without regard to the 8th or succeeding persons. Thus maximum payment in 1968 would be $2,550 and the maximum payment in 1977 would be $5,375.

tax. The corresponding income guarantee would be exactly half of these amounts ($450 for a single person, $1,500 for a family of 4, etc.).

The payments made under the negative tax system would be included in the base for the Federal Income Tax and as a consequence some households will both receive payments under the negative tax and disburse payments (always smaller) under the income tax. Eligibility would be established by sworn statements similar to income tax return and would be enforced by similar sample audits. Each household filing for negative tax payments would have to report for all household members.

The schedule amounts would increase so that by 1977, or nine years after adoption, the payments made to families with no money income would approximate the Orshansky thresholds adjusted for increases in consumer prices. The schedule of maximum incomes for eligibility are shown in Table 1 for each year from 1968 to 1977. Hence, a family of five with income of $2,000 in 1972, would be eligible for a payment of $1,875 (=½ (5,750-2,000)). A four-person family with no income in 1977, would be eligible for payments of $3,500 (=½ (7,000-0)).

The first-year proposal here differs from that presented by OEO last year in that last year's was more complex, with a set of variable rates designed to maximize work incentive by filling small proportions of smaller income deficit. Such a complex scheme is preferable, but for purposes of simplicity in presenting the time-phased 1968-77 proposals here, the flat rate of filling deficits was easier to work with and describe. If a negative income tax is decided on, a substantial amount of expert work will have to go into the detailed design of a working structure.

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TABLE 1

Proposed Maximum Family Income Permitted for Eligibility
For Negative Income Taxes, by Year and Family Size

Year	Family size						
	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 or more persons
1968	$900	$1,600	$2,300	$3,000	$3,700	$4,400	$5,100
1969	1,170	1,940	2,710	3,480	4,250	5,020	5,790
1970	1,430	2,260	3,090	3,920	4,750	5,580	6,410
1971	1,690	2,580	3,470	4,360	5,250	6,140	7,030
1972	1,950	2,900	3,850	4,800	5,750	6,700	7,650
1973	2,210	3,220	4,230	5,240	6,250	7,260	8,270
1974	2,470	3,540	4,610	5,680	6,750	7,820	8,890
1975	2,730	3,860	4,990	6,120	7,250	8,380	9,510
1976	2,990	4,180	5,370	6,560	7,750	8,940	10,130
1977	3,250	4,500	5,750	7,000	8,250	9,500	10,750

2. Alternatives.

a. One alternative to this scheme would be a universal demogrant which provides a fixed payment to each person (or, if preferred, a scheduled amount depending on age or family organization, etc.) without regard to the level of money income. The amounts could be staged to increase the same manner as the negative tax schedules. The personal exemptions in the income tax level would be gradually eliminated as the demogrant is increased. The demogrant would be included in the tax base and would be used as a credit against taxes due by those who pay income taxes.

This program has two 'advantages' which a negative tax system does not share. First, a demogrant is a universal system in that all people receive payments. Second, the demogrant is given without regard to other income while a negative tax payment is conditioned upon the receipt of other income. Although the negative tax payment at zero

income can be thought of as a demogrant, that payment will be reduced as other income rises. The demogrant will remain constant (before taxes) whatever the income and thus treat all citizens equally. The distribution of benefits under a system of demogrants as compared to a system of negative taxes will be different in that the negative tax system is designed to aid only those persons and families below a determined level of income. This distinction can be eliminated by changes in the positive tax system, i.e., elimination of personal exemptions or changes in tax rates so that the benefits and net costs of the two systems are perfectly equal. It must be evident, however, that the two systems may not seem the same to an individual who either receives a payment (even if it is subsequently taxed away) regardless of other income, or receives a payment only if his income falls below a certain level. This difference in total impact is, however, illusory rather than real.

The problem with demogrant schemes is that if current Federal income tax rates are left unchanged, the marginal rates of taxation would be very low at minimum levels of income. While this would provide relatively strong money incentives for work, it would also spread

net transfers very high in the income distribution. Hence, the demogrant would have to be made very small in order to be accommodated with unchanged tax rates. Put another way, it would spread the benefits available from projected increases in income tax revenues too broadly to do the poor very much good. Even if all the projected increase in income taxes from 1968 to 1977 were used for a demogrant, the effective income guarantee would average only \$270 per capita or less than 1/3 of the poverty threshold.

If an income guarantee at the poverty thresholds is to be instituted via the demogrant it would be necessary to increase income tax rates on earned income in order to finance it. Of course there is always one particular set of tax rates that would duplicate the negative tax system in terms of basic economic effect on families, but there are many other possibilities. Upward revision of the income tax rates together with removal of exemptions would appear to be a much more formidable political task than institution of the negative tax system. It is primarily for this reason that the latter is preferred as a means of reaching our income maintenance objective.

b. The other primary alternative would be to radically reform the public assistance mechanism so that it ceased to have all the disadvantages attributed to it in the previous section. To repeat:

(1) The present PA system benefits only 8 of the 35 million individuals who have incomes below the Orshansky poverty line.

(2) Payments to recipients especially in the poorer states are quite low. Payments are nearly always <u>less</u> than the states themselves regard as the required minimum.

(3) The states cannot hope to increase payments by any very significant amounts, given their financial resources. This is particularly true among poor states inasmuch as taxes now being collected and distributed through public assistance represent much higher levels of sacrifice than do high payments in more affluent states.

(4) State policies concerning the income of potential recipients are so detailed inspecifications and so unyieldingly administered that they contribute significantly to inefficiency, inequity, as well as the high cost of administering the PA programs.

(5) Policies in most states tend to restrict the number of needy people eligible for the program by severe standards pertaining to residence requirements, parent responsibility, items counted as equivalent of income, and the like.

(6) The system is pre-eminently characterized by work disincentives.

(7) The PA system has a negative image. The stigma of charity (dole) permeates the total program.

Starting with our present welfare institutions we need to make its payments general, adequate, work-promoting, and respectable. It is only barely conceivable that such a reform could be accomplished through a multitude of state and local welfare administrations. But, it is clear that nothing less will accomplish the objectives and so we will assume that it could be done.

But even if we reformed public assistance, we would encounter another problem. Does the administration of income maintenance through a welfare system which is also concerned with providing counseling and other related social services, help or hinder their efforts to assist the poor? It has been argued, quite persuasively, that a caseworker who is responsible for parceling out the money and validating the claims for support is in a very poor position to receive the trust of his client and develop a personal understanding of the client's problems. Moreover, trained social workers are a scarce resource, one that we can ill afford to waste

on the detailed management of family budgets and detection of crimes. If we can relieve welfare agencies of the responsibility of administering income maintenance, they will be able to carry out their other functions in a much more effective manner and serve a greater number of those who most need their particular services.

A system which is in operation, such as public assistance, is always at a disadvantage in comparison with a relatively untried alternative. The defects of the former are all too evident and are usually explicitly remedied in the latter. The defects of the new program are not so obvious, but they should not be ignored. In the present case, the negative income tax system is not only untried, but only barely outlined and insufficiently analyzed.

Nevertheless, the negative tax appears to be a clearly superior approach to the problem of income maintenance. It must be given a much more detailed specification and thorough analysis leading, no doubt, to revision of some details. This work will be proceeding and will result in an amended submission in the Fall. The program described below is over-simplified to facilitate presentation and calculation of cost. It has all of the basic features intended for the more finished product, and the estimates of cost have been made on relatively pessimistic assumptions regarding shifts in the income distribution. It seems unlikely that the final version will yield larger cost estimates.

c. An additional alternative would be to start at either a higher or a lower level. If funds are not available for the $2.9 starting level recommended here, however, we would prefer to wait rather than starting lower. It is vital that the initial adoption of a negative tax be understood as a meaningful contribution to basic income maintenance rather than as tokenism, and at levels below those recommended here, it would be too close to a mere token to be desirable.

E. The Details and Cost of the Negative Tax System for 1968.

In the initial year the schedule for payment eligibility conforms to the current schedule of examptions and minimum standard deductions of the Federal Income Tax (excluding double exemptions) or $200 plus $700 per family member. The program provides for payments equal to half of the deficit of total money income below this level. Hence, no family with income above $200 plus $700 per family member will receive payments, and all families with zero money income will receive $100 plus $350 per family member. Families with intermediate incomes receive appropriately reduced payments. The effect of the system on income of a 4-person family are illustrated in Figure 4.

It is assumed that public assistance payments would not be included in total money income for purposes of determining the benefit but that these payments would be reduced on average by 75% of negative tax benefits received by welfare recipients. Federal expenditures for public assistance are in turn assumed to fall by 65% of the reduction at the state level during the first year of the program and by 85% in later years.

On the further assumption that money incomes (in current prices) in each family size and income class rise at a rate of 4.6% on a per capita basis and that the population in each class increases at 1.5%, both from their 1964 levels, the cost of the program can be estimated.*

*See Appendix table for 1968.

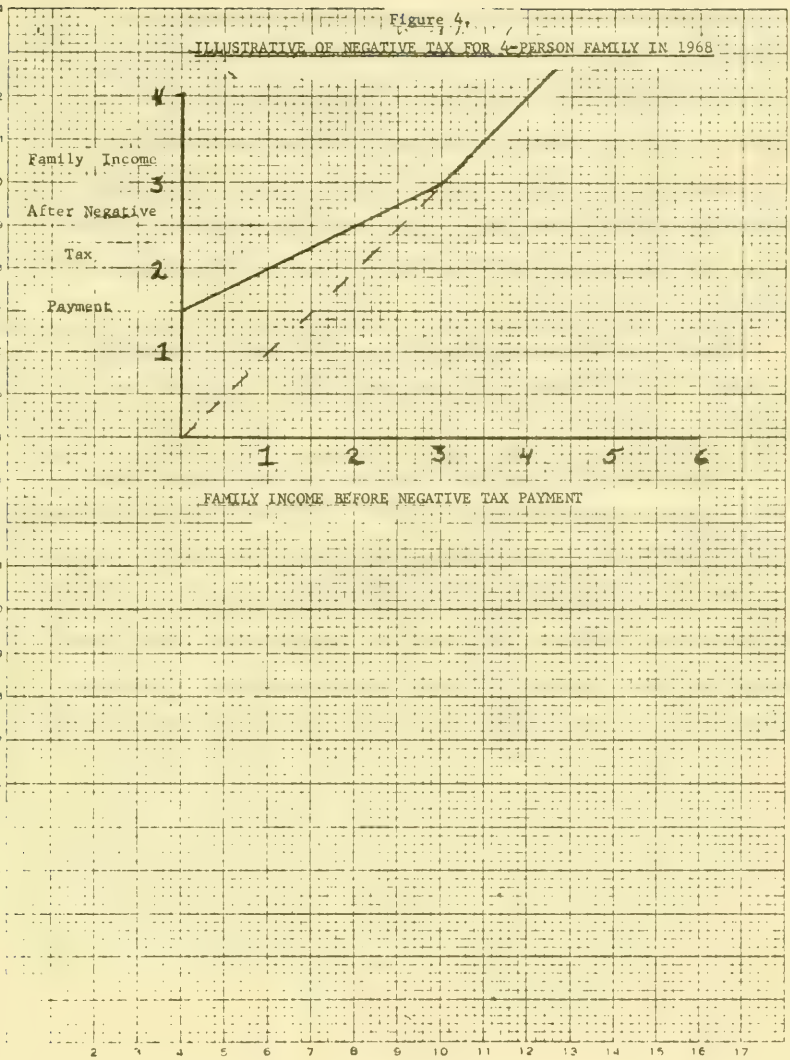


Figure 4.
ILLUSTRATIVE OF NEGATIVE TAX FOR 4-PERSON FAMILY IN 1968
Family Income
After Negative
Tax
Payment
FAMILY INCOME BEFORE NEGATIVE TAX PAYMENT
1
2
3
4
5
6

The gross cost before offsets from reduced public assistance is $3.3 billion. Benefits are received by around 24 million persons in 7 million family units. All of these beneficiaries are poor, both before and after the transfer, because the minimum income eligible for payment lies in all cases below the poverty line. Approximately $600 million of the payment merely replaces public assistance and hence, the net cost in terms of the Federal Budget is $400 million less or $2.9 billion.

Since all recipients have incomes below the level of exemptions and deductions, there will be no income tax revenue provided by the negative tax payments.

Projected receipts from the income tax at unchanged rates show a $4.3 billion increase from 1967 to 1968. After deduction of $2.9 billion for the negative tax system (regarding this program as a tax cut for the neediest), the net revenue of both combined would increase by $1.4 billion. This net increase could be used along with increases from other revenue sources to finance increases in other Federal programs or it could be distributed to the public sector through tax cuts of more general impact.

This first-year program is well within our capacities, requiring neither increases in tax rates nor reductions in other programs. It provides $2.7 billion to reduce the income gap of the poor. It validates our commitment to help all of the poor and not just those who are able to help themselves. It provides substantial incentive (50%) for working and hence reinforces our joint objective of increasing opportunities to achieve self-sufficiency. Most important, it is a first step toward a system of income maintenance that fills the specifications outlined above.

Although we expect that PA money payments will eventually be eliminated by the adoption of a negative tax system, some reform of the existing PA program is needed in the interim whether or not a negative tax is adopted.

Although we have not incorporated these changes in the Public Assistance Program as affecting net costs of a negative tax system, we have estimated the first year costs of the following changes:

Recommendation I -- Prohibition of durational residence requirements. Ours is a national society and the accident of locality should not deprive any citizen, otherwise eligible, of a minimum income any more than it should bar a child from school because he does not have "residence."

Recommendation II -- Prohibition of liens on property and required contributions from relatives other than a spouse or the parents of minor children. Lien requirements and "relatives' responsibility" policies are deterrent and humiliating in their effects, are costly and difficult to administer, and often operate to trap families in poverty.

Recommendation III -- Requiring that PA authorities disregard earned income of $50 per person per month up to a total of $150 per family per month in determining need for federally assisted PA programs.

It would not appear that there are any very rational alternatives to these proposals except that of deciding against their implementation.

First years costs*for the proposals are estimated as follows:

Recommendation	Net Cost in Millions of Dollars
I	$100
II	500
III	300
Total	$900

F. The Negative Tax System from 1968 to 1977

The eligibility schedule in Table 1 shows a particular sequence of increases which would provide full support at the price adjusted poverty line by 1977. Table 2 further illustrates the system by showing the consequences for a hypothetical family of four whose income is $2,500 in 1968 and grows at 4.6%.

Table 2

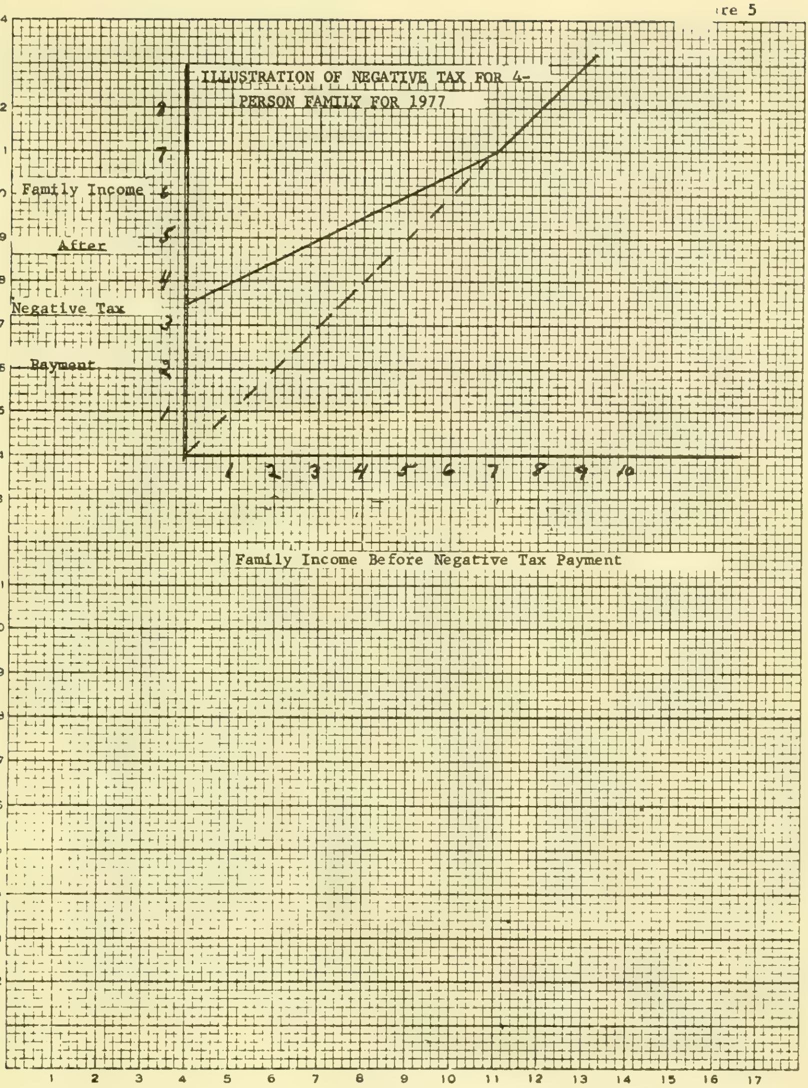
Illustrative Financial Affects of Proposed Negative Tax System on a Four-Person Family

Year	Pre -Tax Income	Negative Tax Allowance	Total Income Before Positive Taxes	Estimated Income Tax at Current Rates
1968	$2,500	$250	$2,750	$0
1969	2,615	432	3,047	6
1970	2,735	592	3,327	46
1971	2,861	749	3,610	89
1972	2,992	904	3,896	125
1973	3,129	1,055	4,184	166
1974	3,293	1,193	4,486	208
1975	3,444	1,338	4,782	250
1976	3,602	1,479	5,081	291
1977	3,768	1,616	5,384	334

*Data from which these costs could be accurately estimated was not available, and cost data given should be used as "informed guesses" rather than statistical estimates.

In Figure 5 the effect of the [illegible] tive tax system for a 4-person family is illustrated as it would exist in 1977. Note that a family which earns $3,000 gets a payment of $2,000 and hence ends up with $5,000 (part of which it may have to pay in taxes depending on the personal income tax laws at that time).* Four-person families with up to $7,000 income [illegible] receiving benefits. This, as shown in Section II, is a necessary [illegible] of providing a minimum of $3,500 and incentives for working [illegible] of any earnings.

* [illegible] is considered undesirable to have the same family receiving [illegible] tax benefits and paying positive taxes, a schedule can be designed to [illegible].


re 5
ILLUSTRATION OF NEGATIVE TAX FOR 4-
PERSON FAMILY FOR 1977
Family Income
After
Negative Tax
Payment
Family Income Before Negative Tax Payment

Projection of income and population beyond 1968 on the same basis used to get to 1968, provides a basis for estimating the costs of the system for each year from 1968 to 1977.* The gross costs are shown in the first column of Table 3 increasing from $3.3 billion in 1968 to 21.8 in 1977. The reduction of Federal support of public assistance is shown in the second column. These savings increase up to 1972, at which time public assistance is assumed to be completely replaced by the Negative Tax System. The next column shows the proceeds from inclusion of the Negative Tax Payments in the income tax base. These have been estimated on the assumption that income taxes are maintained at present rates and with unchanged exemptions and deductions over the entire period. The cost net of both direct offsets is shown in the fourth column and is followed by estimates of the number of persons in families eligible for negative tax benefits.

TABLE 3

Summary of Costs and Number of Beneficiaries 1968-1977

Year**	Gross Cost	Public Assistance Savings	Positive Tax Offsets	Net Cost	Beneficiaries (in Millions)
		(in billions of dollars)			
1968	$3.300	$.400	$0	$2.900	24.1
1969	4.800	.825	.50	3.925	29.4
1970	6.375	1.575	.150	4.650	33.9
1971	8.200	2.325	.275	5.600	38.1
1972	10.200	2.625	.500	7.075	42.1
1973	12.325	2.625	.850	8.850	45.8
1974	14.475	2.625	1.150	11.000	49.6
1975	16.900	2.625	1.500	12.775	53.0
1976	19.350	2.625	1.850	14.875	56.1
1977	21.850	2.625	2,200	17.025	59.1

**Cost items for calendar years indicated. Computations for fiscal years may be estimated by averaging, assuming no lag time between neporting of income and negative tax payments.

*Details shown in Appendix tables.

The following table projects personal income tax revenues from 1967 to 1977 for comparison with the cost of the negative tax system derived above. It has been assumed that no changes are made in personal income tax rates and that percentage changes in income tax revenues are 20% higher than percentage changes in personal income (elasticity of 1.2). Hence, revenues which equal around 9.7% of personal income in 1967 rise, because of mild progressivity, to 10.9% by 1968.

TABLE 4

Comparison of Tax Revenues and Cost of Negative Tax System
(Billions of dollars)

Year	Total Pers. Income Tax Receipts (Current Prices)	Net Cost of Negative Tax System	Cumulated Increase in Income Tax Revenues	Balance Available for other Expenditures or Tax Reduction
1967	57.73	0	---	---
1968	62.03	2.90	4.30	1.40
1969	66.65	3.92	8.92	5.00
1970	71.61	4.65	13.88	9.23
1971	76.95	5.60	19.22	13.62
1972	82.68	7.08	24.95	17.87
1973	88.84	8.85	31.11	22.26
1974	95.46	11.00	37.73	26.73
1975	102.57	12.78	44.84	32.06
1976	110.21	14.88	52.48	37.60
1977	118.42	17.02	60.69	43.67

It is evident that the cost of the negative tax system can be comfortably accommodated within the increments in personal income taxes alone. Over the ten year period, the negative tax system's cost rises to $17.02 billion while the revenues are rising by $60.69 billion. The remainder or $43.67 billion would be available for

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increases in other expenditures or for tax reduction. If the balance were all used for tax reduction, for example, average rates could be reduced to yield only 6.9% of personal income or by over 35%. It should be recalled that personal income taxes now provide only half of the total revenue of the Federal Government, and that these other revenues also will rise over the ten year period. Hence, it is clear that the negative tax system outlined above could be afforded with ample allowance both for expansion of other Federal expenditures and tax reduction.*

Clearly it would be possible to proceed toward an adequate level of income maintenance more rapidly than the sequence outlined above. We could aim to reach the same goal earlier or a higher one by our bi-centennial year. The particular one chosen is representative of many modest and easily afforded alternatives of the same general description.

G. Relationship to Other Income Maintenance Programs

Given the design of the proposed system, negative tax payments will, by the end of 1976, guarantee that no one shall have an income less than the poverty line. The realization of this goal frees us to consider the social and economic rationale of other income and consumption maintenance institutions. Two structures which may exemplify the need for such a reexamination are Social Security and Unemployment Insurance.

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*Costs of the program after 1977 would begin to decline even adjusting for price changes in the level of income guarantees. Rough calculations indicate a decline in gross costs between 1977 and 1980 would be in excess of $4 billion.

Social Security

It is apparent that when payments from a negative tax system guarantee minimum income levels equal to the poverty line, there is no compelling rationale for payments under a social security system so widely divergent from earned payments as exist today. Social Insurance is designed with a bias which favors persons who have been unable to make large payments into the system. This design can be justified in an economy where "earned" retirement incomes would often condemn its "beneficiaries" to real destitution. Under the negative tax, this would, by 1977, no longer be the case. We would therefore, suggest that in the period between the commencement of the negative tax (1968) and 1977, that the Social Security System be restructed to the end that payment levels would begin at one dollar and rise as payments into the system rose.

Unemployment Insurance

A somewhat different set of considerations might apply to payments made under the Unemployment Insurance Program. We see no reason why such payments should not be staged into the general system of taxable income. This staging process might begin in the 4th or 5th year after the negative income tax system was introduced in such manner as would produce a smooth transaction to full inclusion in the tax base by 1977.

H. Concluding Remarks

The Negative Tax System outlined above can fill a vital role in the War on Poverty. It can provide an escape from poverty NOW together with enhanced opportunity for achieving further improvement later on as a result of our human development programs. All of these programs can be expected to work better if their clients are better fed, better housed, and more healthy. If they have a firm basis of security as to where the next meal is coming from and a high probability that the furniture will still be there when they return home, they can be expected to give some thought to the future and prepare for it.

GROSS COST OF NEGATIVE TAX SYSTEM
by income class and family size

for 1968

Dollar Threshold / Size of family	Under $1,800	$1,200-1,800	$1,800-2,400	$2,400-3,000	$3,000-3,600	$3,600-4,200	$4,200-4,800	$4,800-6,000	$6,000-7,200	$7,200-8,400	1968
	x̄-$840	x̄=$1,500	x̄=$2,100	x̄=$2,700	x̄=$3,300	x̄=$3,900	x̄=$4,500	x̄=$5,400	x̄=$6,600	x̄=$7,800	
$900 1	(x̄=$700 (60%) 1,993,700x$100 $199,370,000										1,993,70 $199,370,00
$1,600 2	766,900x$380 $291,422,000	(x̄=$1,400)(66.7%) 589,100x$100 $58,190,000									1,356,0 $350,332,0
$2,300 3	319,800x$730 $233,454,000	245,100x$400 $98,040,000	(x̄=$2,050 (83.3%) 213,200x$125 $26,650,000								778,1 $358,144,0
$3,000 4	193,800x$1,080 $209,304,000	164,800x$750 $123,600,000	155,100x$450 $69,795,000	(x̄=$2,700)(100%) 223,000x$150 $33,450,000							736,70 $436,149,00
$3,700 5	138,700x$1,430 $198,341,000	79,300x$1,100 $87,230,000	105,700x$800 $84,560,000	145,000x$500 $72,550,000	171,700x$200 $34,340,000	(x̄=$3,600)(16.7%) 36,400x$25 $910,000					676,90 $477,931,00
$4,400 6	94,100x$1,780 $167,498,000	52,300x$1,450 $75,835,000	55,700x$1,150 $64,055,000	94,100x$850 $79,985,000	80,100x$550 $44,055,000	90,600x$250 $22,650,000	(x̄=$4,300)(33.3%) 38,300x$100 $3,830,000				505,2 $457,908,0
$5,100 7	108,200x$2,130 $230,500,000	94,600x$1,800 $170,280,000	105,600x$1,500 $158,400,000	152,900x$1,200 $183,480,000	127,400x$900 $114,660,000	167,500x$600 $100,500,000	186,600x$300 $55,980,000	(x̄=4,950)(25.0%) 82,800x$150 $12,420,000			1,028 $1,026,220,
Totals	3,615,200 $1,529,889,000	1,225,200 $613,895,000	635,300 $403,460,000	615,100 $369,465,000	379,200 $193,055,000	294,500 $124,060,000	224,900 $59,810,000	85,200 $12,420,000			7,074, $3,306,054,

For 1968)Income classes raised 20% from 1964 level to reflect 4.6% yearly per capita increase in income 1964-68.
)Population sizes raised 6.1% from 1964 level to reflect 1.5% yearly growth (rounded to nearest 100).

Legend: a) Cells show number of recipients, average payment, and total benefits
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
by income class and family size
for 1969

INCOME CLASS

[illegible]	Under $1,250	$1,250-1,880	$1,880-2,500	$2,500-3,130	$3,130-3,760	$3,760-4,380	$4,380-5,010	$5,010-6,260	$6,260-7,510	$7,510-8,760	1969
	$\bar{x}$=$880	$\bar{x}$=$1,565	$\bar{x}$=$2,190	$\bar{x}$=$2,815	$\bar{x}$=$3,445	$\bar{x}$=$4,070	$\bar{x}$=$4,695	$\bar{x}$=$5,635	$\bar{x}$=$6,885	$\bar{x}$=$7,135	
$1,170 1	($\bar{x}$=$840) (90%) 3,038,600x$165 $501,369,000										3,038,600 $501,369,000
$1,940 2	778,500x$530 $412,605,000	896,900x$188 $168,617,000	($\bar{x}$=$1,910)(9.7%) 96,800x$15 $1,452,000								1,772,200 $582,674,000
$2,710 3	324,600x$915 $297,009,000	248,800x$573 $142,562,000	259,700x$260 $67,522,000	($\bar{x}$=$2,605)(33.3%) 113,000x$53 $5,989,000							946,100 $513,082,000
$3,480 4	196,800x$1,300 $255,840,000	167,300x$958 $160,273,000	157,500x$645 $101,588,000	226,400x$333 $75,391,000	($\bar{x}$=$3,305)(55.6%) 147,700x$88 $12,998,000						895,700 $606,090,000
$4,250 5	140,800x$1,685 $237,248,000	80,500x$1,343 $108,112,000	107,300x$1,030 $110,519,000	174,300x$718 $105,761,000	174,300x$403 $70,243,000	($\bar{x}$=$4,005)(79.0%) 174,800x$123 $21,500,000					825,000 $653,383,000
$5,020 6	95,500x$2,070 $197,685,000	53,100x$1,728 $91,757,000	56,500x$1,415 $79,948,000	95,500x$1,103 $105,337,000	81,300x$788 $64,064,000	92,000x$475 $43,700,000	116,700x$163 $19,022,000	($\bar{x}$=$5,015) (.8%) 2,300x$3 7,000			592,900 $601,520,000
$5,790 7	110,900x$2,455 $272,260,000	96,100x$2,113 $203,059,000	107,200x$1,800 $192,960,000	155,200x$1,488 $230,938,000	129,300x$1,173 $151,669,000	170,100x$860 $146,286,000	189,400x$548 $103,791,000	($\bar{x}$=$5,400)(62.4%) 209,900x$195 $40,931,000			1,168,10[illegible] $1,341,894,00[illegible]
Totals	4,685,700 $2,174,016,000	1,542,700 $874,380,000	785,000 $553,989,000	737,400 $523,416,000	532,600 $298,974,000	436,900 $211,486,000	306,100 $122,813,000	212,200 $40,938,000			9,238,60[illegible] $4,800,012,0[illegible]

For 1969)Income classes raised 25.2% to reflect 4.6% yearly per capita increase in income 1964-69 (rounded to nearest $10).
)Population sizes raised 7.7% to reflect 1.5% yearly growth (rounded to nearest 100).

Legend: a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
By income class and family size
for 1970

Dollar Threshold / Size of Family	INCOME CLASS: Under $1310	$1310-1970	$1970-2620	$2620-3280	$3280-3930	$3930-4590	$4590-5240	$5240-6550	$6550-7860	$7860-9170	1970
	$\bar{x}$ = $ 920	$\bar{x}$ = $1640	$\bar{x}$ = $2295	$\bar{x}$ = $2950	$\bar{x}$ = $3605	$\bar{x}$ = $4260	$\bar{x}$ = $4915	$\bar{x}$ = $5895	$\bar{x}$ = $7205	$\bar{x}$ = $8515	
$ 1,430	3,426,400x$255	($\bar{x}$=$1,370)(18.2%)									3.814.900
		388,500x$30									
1	$873,732,000	11,655,000									$885,387.000
			($\bar{x}$=$2115)(44.6%)								
$ 2,260	790,000x$ 670	910,200x$310	451,900x$73								2,152 100
2	$529,300,000	$282,162,000	$32,989,000								844,451 000
				($\bar{x}$=$2855)(71.2%)							
$ 3,090	329,400x$1083	252,500x$740	263,500x$398	258,000x$118							1.103 400
3	$357,399,000	$186,850,000	$104,873,000	$30,444,000							679,566.000
					($\bar{x}$=$3600)(98.5%)						
$3,920	199,700x$1500	169,700x$1,155	159,800x$813	229,700x$485	265,600x$160						1,024,500
4	$299,550,000	$196,004,000	$129,917,000	$111,405,000	$42,496,000						$779,372,000
							($\bar{x}$=$4670)(24.6%)				946,100
$4,750	142,900x$1915	81,600x $1570	108,900x$1228	149,500x$900	176,800x$573	224,500x$245	61,900x$40				
5	$273,654,000	$128,112,000	$133,729,000	$134,550,000	$101,306,000	$55,003,000	$2,476,000				$828,830,000
								($\bar{x}$=$5410)(26.0%)			
$5,580	96,900x$2330	53,900x$1,985	57,400x$1643	96,900x$1315	82,500x$988	93,300x$560	118,500x$333	75,600x$65			675,000
6	$225,777,000	$106,992,000	$94,308,000	$127,424,000	$81,510,000	$52,248,000	$39,461,000	$4,914,000			$732,634,000
								($\bar{x}$=$5,825)(89.3%)			1,277,400
$6,410	112,600x$2745	97,500x$2,400	108,800x$2058	157,500x$1730	131,300x$1403	172,600x$975	192,300x$748	304,800x$293			
7	$309,087,000	$234,000,000	$223,910,000	$272,475,000	$184,214,000	$168,285,000	$143,840,000	$89,306,000			$1,625,117.00
Totals	5,097,900	1.953,900	1,150,300	891,600	656,200	490,400	372,700	380,400			10.993,400
	$2,868,499,000	$1,145,775,000	$719,726,000	$676,298,000	$409,526,000	$275,536,000	$185,777,000	$94.220,000			$6 375.357 000

For 1970 — Income Classes raised 31.0% to reflect 4.6% yearly per capita increase in income 1964-1970 (Rounded to nearest $10)

Population sizes raised 9.3% to reflect 1.5% yearly growth (Rounded to nearest 100)

Legend:
a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
By income class and family size
for 1971

Dollar Threshold Size of Family	INCOME CLASS Under $1370	$1370-2060	$2060-2740	$2740-3430	$3430-4110	$4110-4800	$4800-5480	$5480-6850	$6850-8220	$8220-9590	1971
	$\bar{x}$ = $960	$\bar{x}$ = $1,715	$\bar{x}$ = $2,400	$\bar{x}$ = $3,085	$\bar{x}$ = $3,770	$\bar{x}$ = $4455	$\bar{x}$ = $5,140	$\bar{x}$ = $6,165	$\bar{x}$ = $7,535	$\bar{x}$ = $8,905	
$1,690 1	3,476,500x$365 $1,268,923,000	($\bar{x}$=$1,530)(46.4%) 1,005,100x$80 $80,408,000									4,481,600 $1,349,331,00
$2,580 2	801,600x$810 $649,296,000	923,600x$433 $399,919,000	($\bar{x}$=$2,320)(76.5%) 786,500x$130 $102,245,000								2,511,700 $1,151,460,
$3,470 3	334,300x$1,255 $419,547,000	256,200x$878 $224,944,000	267,400x$535 $143,059,000	367,600x$193 $70,947,000	($\bar{x}$=$3450)(5.9%) 24,200x$10 $242,000						1,249,700 $858,739,000
$4,360 4	202,600x$1,700 $344,420,000	172,200x$1,323 $227,821,000	162,100x$980 $158,858,000	233,100x$638 $148,718,000	273,600x$295 $80,712,000	($\bar{x}$=$4235)(36.2%) 121,000x$63 $7,623,000					1,164,600 $968,152,000
$5,250 5	144,900x$2,145 $310,811,000	82,800x$1,768 $146,390,000	110,500x$1,425 $157,463,000	151,700x$1,083 $164,291,000	179,400x$740 $132,756,000	227,800x$398 $90,664,000	($\bar{x}$=$5,025)(66.3%) 169,100x$113 $19,108,000				1,066,200 $1,021,483,
$6,140 6	98,400x$2,590 $254,856,000	54,700x$2,213 $121,051,000	58,200x$1,870 $108,834,000	98,400x$1,528 $150,355,000	83,700x$1,185 $99,185,000	94,700x$843 $79,832,000	120,200x$500 $60,100,000	($\bar{x}$=$5,810)(48.2%) 142,200x$165 $23,463,000			750,500 $897,676,000
$7,030 7	114,200x$3,035 $346,597,000	98,900x$2,658 $262,876,000	110,300x$2,315 $255,345,000	159,800x$1,973 $315,285,000	133,200x$1,630 $217,116,000	175,100x$1,288 $225,529,000	195,100x$945 $184,370,000	346,300x$433 $149,948,000	($\bar{x}$=$6,940)(13.5%) 50,900x$45 $2,291,000		1,383,800 $1,959,357,
Totals	5,172,500 $3,594,450,000	2,593,500 $1,463,409,000	1,495,000 $925,804,000	1,010,600 $849,596,000	694,100 $530,011,000	618,600 $403,648,000	484,400 $263,578,000	488,500 $173,411,000	50,900 $2,291,000		12,608,100 $8,206,198,

For 1971 — Income Classes Raised 37.0% to reflect 4.6% yearly per capita increase in income 1964-1971 (Rounded to nearest $10)

Population sizes Raised 10.9% to reflect 1.5% yearly growth (Rounded to nearest 100)

Legend:
a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
By income class and family size
for 1972

Dollar Threshold / Size of Family	INCOME CLASS Under $1430	$1430-2150	$2150-2870	$2870-3580	$3580-4300	$4300-5020	$5020-5730	$4730-7170	$7170-8600	$8600-10030	1972
	x̄ = $1000	x̄ = $1790	x̄ = $2510	x̄ = $3225	x̄ = $3940	x̄ = 4660	x̄ = $5375	x̄ = 6450	x̄ = $7885	x̄ = $9315	
1950	3,534,400x$475	(x̄=$1690)(72.2%) 1,588,600x130									5,120,000
1	$1,677,415,000	$206,518,000									$1,883,933,00
2900	814,200x$950	938,100x$555	1,044,300x$195	(x̄=$2885)(4.2%) 49,100 x 8							2,845,700
2	$773,490,000	$520,646,000	$203,639,000	$393,000							$1,498,168,0
3850	339,500x$1425	260,200x$1030	271,600x$670	373,400x$313	(x̄=$3715)(37.5%) 157,000 x 68						1,401,700
3	483,788,000	268,006,000	181,972,000	116,874,000	$10,676,000						$1,061,316,00
4800	205,800x$1900	174,900x $1505	164,700x$1145	236,800x$788	277,900x$430	(x̄=$4550)(69.4%) 235,700x$125					1,295,800
4	$391,020,000	$263,225,000	$188,582,000	$186,598,000	$119,497,000	$29,463,000					$1,178,385,0
5750	147,200x$2375	84,100x$1980	112,200x$1620	154,100x$1263	182,300x$905	231,400x$545	259,400x$188	(x̄=$5740)(1.4%) 6,800 x $5			1,177,500
5	$349,600,000	$166,518,000	$181,764,000	$194,628,000	$164,982,000	$126,113,000	$48,692,000	$34,000			$1,232,331,0
6700	99,900x$2850	55,500x$2455	59,100x$2095	99,900x$1738	85,100x$1380	96,200x$1020	112,100x$663	(x̄=$6215)(67.4%) 202,000x$243			809,800
6	$284,715,000	$136,253,000	$123,898,000	$173,626,000	$117,438,000	$98,124,000	$74,322,000	$49,086,000			$1,057,462,0
7650	116,000x$3325	100,500x$2930	112,100x$2570	162,300x$2213	135,300x$1855	177,900x$1495	198,200x$1138	351,800x$600	(x̄=7410)(33.6%) 132,500x$120		1,486,600
7	385,700,000	$294,465,000	$288,097,000	$359,170,000	$250,982,000	$265,961,000	$225,552,000	$211,080,000	$15,900,000		$2,296,907,0
Totals	5,254,000	3,201,900	1,764,000	1,075,600	837,600	741,200	569,700	560,600	132,500		14,137,100
	$4,345,728,000	$1,855,631,000	$1,167,952,000	$1,031,289,000	$663,575,000	$519,661,000	$348,566,000	$260,200,000	$15,900,000		$10,208,502,0

For 1972 Income classes raised 43.3% to reflect 4.6% to yearly per capita increase in income (Rounded to nearest $10)
Population sizes raised 12.65 from 1964 level to reflect 1.5 yearly growth (rounded to nearest 100 people)

Legend:
a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
by income class and family size
for 1973

INCOME CLASS

Dollar threshold / Family size	Under $1500	$1500-2250	$2250-3000	$3000-3750	$3750-4500	$4500-5250	$5250-6000	$6000-7500	$7500-9000	$9000-10500	1973
	$\bar{x}$ = $1050	$\bar{x}$ = $1875	$\bar{x}$ = $2625	$\bar{x}$ = $3375	$\bar{x}$ = $4125	$\bar{x}$ = $4875	$\bar{x}$ = $5625	$\bar{x}$ = $6750	$\bar{x}$ = $8250	$\bar{x}$ = $9750	
$2210 1	3,583,100x$580 $2,078,198,000	($\bar{x}$=$1855)(94.7%) 2,114,200x$178 $376,328,000									5,697,300 $2,454,526,000
$3220 2	826,200x$1085 $896,427,000	951,900x$673 $640,629,000	1,059,600x$298 $315,761,000	($\bar{x}$=$3110)(29.3%) 347,300x$55 $19,102,000							3,185,000 $1,871,919,000
$4230 3	344,500x$1590 $547,755,000	264,000x1178 $310,992,000	275,600x$803 $221,307,000	378,900x$428 $162,169,000	($\bar{x}$=3990)(64.0%) 271,900x$120 $32,628,000						1,534,900 $1,274,851,000
$5240 4	208,800x$2095 $437,436,000	177,500x $1683 $298,733,000	167,100x$1308 $218,567,000	240,300x$933 $224,200,000	282,000x $558 $157,356,000	($\bar{x}$=$4870)(98.7%) 340,200 x$183 $62,257,000					1,415,900 $1,398,549,000
$6250 5	149,400 x$2600 $388,440,000	85,400 x$2188 186,855,000	113,800x$1813 $206,319,000	156,400 x$1438 $224,903,000	184,900 x$1063 $196,549,000	234,800 x$688 $161,542,000	263,200 x $313 $82,382,000	($\bar{x}$=$6125)(16.7%) 82,000x$63 $5,166,000			1,269,900 $1,452,156,000
$7260 6	101,400x$3105 $314,847,000	56,300 x$2693 $151,616,000	60,000x$2318 $139,080,000	101,400x$1943 $197,020,000	86,300x$1568 $135,318,000	97,600x$1193 $116,437,000	123,900x$818 $101,350,000	($\bar{x}$=$6630)(84.0%) 255,400x$315 $80,451,000			882,300 $1,236,119,000
$8270 7	117,700x$3610 $424,897,000	102,000x$3198 $326,196,000	113,700x$2823 $320,975,000	164,700x$2448 $403,186,000	137,300 x$2073 $284,623,000	180,500x$1698 $306,489,000	201,100x$1323 $266,055,000	357,000x$760 $271,320,000	($\bar{x}$=$7885)(51.3%) 205,300x$193 $39,623,000		1,579,300 $2,643,364,000
Totals	5,331,100 $5,088,000,000	3,751,300 $2,291,349,000	1,789,800 $1,422,009,000	1,389,000 $1,230,580,000	962,400 $806,474,000	853,100 $646,725,000	588,200 $449,787,000	694,400 $356,937,000	205,300 $39,623,000		15,564,600 $12,331,484,000

For 1973 Income classes raised 49.9% to reflect 4.6% yearly per capita increase in income 1964-1973 (rounded to nearest $10)
Population sizes raised 14.3% to reflect 1.5% yearly growth (rounded to nearest 100)

Legend:
a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
By income class and family size
for 1974

INCOME CLASS

Dollar Threshold / Size of Family	Under $1,570	$1,570-$2,350	$2,350-$3,140	$3,140-$3,920	$3,920-$4,700	$4,700-$5,490	$5,490-$6,270	$6,270-$7,840	$7,840-$9,410	$9,410-$10,980	
	$\bar{x}$=$1100	$\bar{x}$ = $1960	$\bar{x}$ = $2,745	$\bar{x}$ = $3,430	$\bar{x}$ = $4,310	$\bar{x}$ = $5,095	$\bar{x}$ = $5,380	$\bar{x}$ = $7,055	$\bar{x}$ = $8,625	$\bar{x}$ = $10,195	1974
$2,470 1	3,639,500x$685 $2,493,058,000	2,267,700x$255 $578,264,000	($\bar{x}$=$2410) (15.2%) 172,300 x $30 $5,169,000								6,079,3 $3,076,491,0
$3,340 2	839,200x$1220 $1,023,924,000	$966,900x$790 $763,851,000	1,076,300x$398 $428,367,000	($\bar{x}$=$3340) (51.3%) 617,700x$100 $61,770,000							3,500,1 $2,277,812,0
$4,510 3	349,900x$1755 $614,075,000	268,200x$1325 $211,878,000	279,900x$933 $261,147,000	384,900x$590 $227,091,000	($\bar{x}$=$4265) (88.5%) 381,900x$173 $66,069,000						1,664,8 $1,380,260,0
$5,680 4	212,100x$2290 $485,709,000	180,300x$1860 $335,358,000	169,700x$1468 $249,120,000	244,000x$1125 $274,500,000	286,400x$685 $196,184,000	350,100x$293 $102,579,000	($\bar{x}$=$5585) (24.4%) 199,300x$48 $9,566,000				1,641,9 $1,653,016,
$6,750 5	151,700x$2825 $428,553,000	86,700x$2395 $207,647,000	115,600x$2003 $231,547,000	158,300x$1660 $263,608,000	187,800x$1220 $229,116,000	238,500x$828 $197,478,000	267,400x$435 $116,319,000	($\bar{x}$=$6510) (30.6%) 152,600x$120 $18,312,000			1,359, $1,692,580,
$7,820 6	103,000x$3360 $346,080,000	57,200x$2930 $167,596,000	61,000x$2538 $154,818,000	103,000x$2195 $226,085,000	87,700x$1755 $153,914,000	99,100x$1363 $135,073,000	125,900x$970 $122,123,000	($\bar{x}$=$7045) (98.7%) 304,800x$388 $118,262,000			941, $1,423,951,
$8,890 7	119,600x$3895 $465,842,000	103,600x$3465 $358,974,000	115,500x$3073 $354,932,000	167,300x$2730 $456,729,000	139,400x$2290 $273,426,000	183,300x$1898 $347,903,000	204,200x$1505 $307,321,000	362,600x$918 $332,867,000	($\bar{x}$=$8365) (66.9%) 271,900x$263 $71,510,000		1,667, $2,969,504,
TOTALS	5,415,000 $5,857,141,000	3,930,600 $2,623,568,000	1,990,300 $1,685,100,000	1,675,700 $1,509,783,000	1,083,200 $918,709,000	871,000 $783,033,000	796,800 $555,329,000	820,000 $469,441,000	271,900 $71,510,000		16,85 $14,473,61

For 1974: Income Classes Raised 56.8% to reflect 4.6% yearly per capita increase in income 1964-1974 (Divided to nearest $10)
Population sizes raised 16.1% to reflect 1.5% yearly growth (rounded to nearest 100)

Legend: a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
By income class and family size
for 1975

INCOME CLASS

Dollar Threshold / Size of Family	Under $1,640	$1,640-2,460	$2,460-3,280	$3,280-4,100	$4,100-4,920	$4,920-5,740	$5,740-6,560	$6,560-8,200	$8,200-9,840	$9,840-11,480	1975
	x̄=$1,150	x̄=$2,050	x̄=$2,870	x̄=$3,690	x̄=$4,510	x̄=$5,330	x̄=$6,150	x̄=$7,380	x̄=$9,020	x̄=$9,660	
$2,730 1	3,692,300x$790 $2,917,312,000	2,300,900x$340 $782,306,000	(x̄=$2,595)(32.9%) 378,500x$68 $25,738,000								6,372,20 $3,725,356,00
$3,860 2	951,500x$1,355 $1,153,783,000	981,000x$905 $887,805,000	1,092,100x$495 $540,590,000	(x̄=$3,570)(70.7%) 863,700x$85 $73,415,000							3,788,30 $2,655,593,00
$[illegible]990 3	355,000x$1,920 $681,600,000	272,100x$1,470 $399,987,000	284,000x$1,060 $301,040,000	390,500x$650 $253,825,000	437,800x$240 $105,072,000	(x̄=$4,955)(8.5%) 40,200x$18 $7,724,000					1,779,[illegible]00 $1,742,248[illegible]
$6,[illegible]20 4	215,200x$2,485 $534,772,000	182,900x$2,035 $372,202,000	172,200x$1,625 $279,825,000	247,600x$1,215 $300,834,000	290,600x$805 $233,933,000	355,200x$395 $140,304,000	(x̄=$5,930)(46.3%) 383,700x$95 $36,452,000				1,847,40 $1,898,322,000
$7,250 5	154,000x$3,050 $469,700,000	88,000x$2,600 $228,800,000	117,300x$2,190 $256,887,000	161,200x$1,780 $286,936,000	190,600x$1,370 $261,122,000	242,000x$960 $232,320,000	271,300x$550 $149,215,000	(x̄=$6,905)(42.1%) 213,000x$123 $26,199,000			1,437,40 $1,911,179,0
$8,380 6	104,500x$3,615 $377,768,000	58,100x$3,165 $183,887,000	61,800x$2,755 $170,259,000	104,500x$2,345 $245,053,000	88,900x$1,935 $172,022,000	100,600x$1,525 $153,415,000	127,700x$1,115 $142,386,000	313,400x$500 $156,700,000	(x̄=$8,290)(11.0%) 43,000x$320 $13,760,000		1,002,500 $1,615,250,000
$9,510 7	121,300x$4,180 $507,034,000	105,100x$3,730 $392,000,000	117,200x$3,320 $389,104,000	169,700x$2,910 $493,827,000	141,500x$2,500 $353,750,000	186,000x$2,090 $388,740,000	207,200x$1,680 $348,096,000	367,900x$1,065 $391,814,000	(x̄=$8,855)(79.9%) 329,500x$245 $80,728,000		1,745,400 $3,345,093,000
TOTALS	5,494,300 $6,641,969,000	3,988,100 $3,246,987,000	2,223,100 $[illegible],963,443,000	1,937,200 $1,653,890,000	1,149,400 $1,125,899,000	924,000 $915,503,000	989,900 $676,149,000	894,300 $574,716,000	372,500 $94,488,000		17,972,8 $16,893,041,0

For 1975)Income classes raised 64.0% to reflect 4.6% yearly per capita increase in income 1964-75 (rounded to nearest $10).
)Population sizes raised 17.8% to reflect 1.5% yearly growth (rounded to nearest 100).

Legend: a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
By income class and family size
for 1976

INCOME CLASS

Dollar Threshold / Size of Family	Under $1720 $\bar{x}$ = $1,200	$1720 - 2570 $\bar{x}$ = $2,145	$2570 - 3430 $\bar{x}$ = $3,000	$3430 - 4290 $\bar{x}$ = $3,860	$4290-5150 $\bar{x}$ = $4,720	$5150-6000 $\bar{x}$ = $5,575	$6000 - 6860 $\bar{x}$ = $6,430	$6860 - 8580 $\bar{x}$ = $7,720	$8580-10,290 $\bar{x}$ = $9,435	$10,290-12,000 $\bar{x}$ = $11,145	1976
2,990 1	3,748,000x$ 895 $3,354,460,000	2,335,300x$423 $987,832,000	($\bar{x}$=$2,790)(48.8%) 569,800x$105 $59,829,000								5,453,100 $4,402,121.0
4,180 2	864,200x$1,490 $1,287,658,000	995,700x$1,018 $1,013,623,000	1,108,400x$590 $653,956,000	($\bar{x}$=$3,805)(87.2%) 1,081,200x$188 $203,256,000							4,049,500 $3,158,503,0
5,370 3	360,400x$2,085 $751,434,000	276,200x$1,613 $445,511,000	288,300x$1,185 $341,636,000	396,300x$755 $299,207,000	444,400x$325 $144,430,000	($\bar{x}$=$5,260)(25.9%) 124,400x$55 $6,842,000					1,890,000 $1,989,060,.
6,560 4	218,400x$2,680 $585,312,000	185,700x$2,208 $410,026,000	174,800x$1,780 $311,144,000	251,300x$1,350 $339,255,000	295,000x$ 920 $271,400,000	360,500x$443 $159,702,000	($\bar{x}$=$6,280)(65.1%) 547,600x$140 $76,664,000				2,033,300 $2,153,503.0
7,750 5	156,300x$3,275 $511,883,000	89,300x$2,803 $250,308,000	119,100x$2,375 $282,863,000	163,600x$1,945 $318,202,000	193,400x$1,515 $293,001,000	245,600x$1,038 $254,933,000	275,300x$660 $181,698,000	($\bar{x}$=$7,305)(51.7%) 265,500x$223 $59,207,000			1,508,100 $2,152,095.0
8,940 6	106,000x$3,870 $410,220,000	58,900x$3,398 $200,142,000	62,800x$2,970 $186,516,000	106,000x$2,540 $269,240,000	90,300x$2,110 $190,533,000	102,100x$1,633 $166,729,000	129,600x$1,255 $162,648,000	318,000x$610 $193,980,000	($\bar{x}$=$8,760)(21.1%) 83,700x$90 $7,533,000		1,057,400 $1,787,541,0
10,130 7	123,100x$4,465 $549,642,000	106,600x$3,993 $425,654,000	119,000x$3,565 $424,235,000	172,200x$3,135 $540,161,000	143,600x$2,705 $364,093,000	188,800x$2,228 $420,646,000	210,300x$1,850 $389,055,000	373,400x$1,205 $449,947,000	($\bar{x}$=$9,355)(90.6%) 379,200x$348 $131,962,000		1,816,300 $3,695,39[illegible]
TOTALS	5,576,400 $7,450,609,000	4,047,700 $3,733,096,000	2,442,200 $2,260,179,000	2,170,700 $1,969,331,000	1,166,700 1,263,457,000	1,021,400 $1,008,852,000	1,162,800 $810,065,000	956,900 $703,134,000	462,900 $139,495,000		19,007,700 19,339,218,0

For 1976
Income Classes raised 71.5% from 1964 level to reflect 4.6% yearly per capita increase in income (Rounded to nearest $10)
Population sizes raised 19.56% from 1964 level to reflect 1.5% yearly growth (Rounded to nearest 100 people)

Legend:
a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments.

GROSS COST OF NEGATIVE TAX SYSTEM
by income class and family size
for 1977

INCOME CLASS

Dollar Threshold / Size of Family	Under $1790 x̄ = $125[illegible]	$1790-2680 x̄ = $2235	$2680-3580 x̄ = $3130	$3580-4470 x̄ = $40[illegible]	$4470-5370 x̄ = $49[illegible]	$5370-6260 x̄ = $5815	$6260-7160 x̄ = $6710	$7160-8950 x̄ = $8055	$8950-10730 x̄ = $9840	$10,730-12,520 x̄ = $11,625	1977
$3150 1	1,3[illegible]x$1000 $[illegible].504,100,000	2,370,200x$[illegible] $1,[illegible]04,062,000	(x̄=$2365)(63.3) 750,200x$1[illegible] $[illegible]7,279,000								[illegible]24,500 $5,[illegible]
$5[illegible]00 2	377,100x$1625 $1,425,288,000	1,010,600x$1133 $1,[illegible]45,010,000	1,125,000x$685 $770,625,000	1,25[illegible]x$2[illegible] $299,[illegible]	(x̄=$4485)([illegible]) [illegible],000x$8 $217,000						[illegible],310,800 $3,640,763,[illegible]
$6[illegible]50 3	365,700x$2250 $822,825,000	250,300x$1758 $-92,800,000	292,600x $1310 $383,306,000	402,300x$863 $347,[illegible],000	[illegible]1,000x$415 $13,717,000	(x̄=$5560)([illegible]2.7) [illegible]8,200x$95 $[illegible]9,770,000					2,000,100 $2,084,612,0[illegible]
$7[illegible]00 4	221,700x$2875 $637,388,000	188,500x$2383 $449,196,000	177,400x$1935 $343,269,000	255,100x$1488 $379,589,000	299,400x$1040 $311,376,000	365,900x$593 $216,979,000	(x̄=$6630)(32.2) [illegible]1,600x$185 $129,833,000				2,209,800 $2,467,630,0[illegible]
$8250 5	158,600x$3500 $555,100,000	90,600x$3008 $272,525,000	120,900x$2560 $309,504,000	166,000x$2113 $350,758,000	196,300x$1665 $326,840,000	249,300x$1218 $303,647,000	[illegible]79,300x$770 $[illegible]15,215,000	(x̄=$7705)(60.9%) [illegible]37,400x$273 $[illegible]6,630,000			1,578,600 $2,420,239,[illegible]
$9500 6	107,600x$4125 $443,850,000	59,800x$3633 $217,253,000	63,700x$3185 $202,885,000	107,600x$2738 294,609,000	91,600x$2290 $209,764,000	103,600x$1843 $190,935,000	[illegible]1,500x$1395 [illegible]183,443,000	[illegible]22,800x$723 $233,384,000	(x̄=$[illegible]225)([illegible]9%) 124,400x$138 $17,167,000		1,112,600 $1,993,290,[illegible]
$10,750 7	125,000x$4750 $593,750,000	108,200x$4258 $460,716,000	120,700x$3810 $459,867,000	174,900x$3363 $588,189,000	145,700x$2915 $424,716,000	1[illegible]1,600x$2468 $472,369,000	[illegible],500x$2020 $[illegible]31,270,000	379,900x$1348 $510,892,000	424,900x$455 $193,284,000	(x̄=$10,740)(1.1) 4,500x$5 $23,000	1,887,900 $4,135,576,[illegible]
	5,659,800 $8,282,301,000	[illegible],108,200 $4,241,562,000	2,650,500 $2,576,735,000	2,364,400 $2,259,853,000	1,223,600 $1,291,730,000	1,118,600 $1,204,209,000	[illegible],326,300 [illegible]9,761,000	1,019,200 $830,926,000	549,200 $210,451,000	4500 $23,000	20,024,300 $21,857,551,[illegible]

For 1977 Income classes raised 78.9% to reflect 4.6% yearly per capita increase in income 1964-1977 (rounded to nearest $10)
Population sizes raised 21.35% to reflect 1.5% yearly growth (rounded to nearest 100)

Legend: a) Cells show number of recipients, average payment, and total benefits.
b) Borderline cells show in parenthesis the fraction of the household units below the threshold and their mean income.
c) Marginal totals are shown for recipients and total benefit payments

OFFICE OF ECONOMIC OPPORTUNITY

PROGRAM MEMORANDUM
ON
BASIC POVERTY RESEARCH

FY 1968-FY 1972

JUNE 1966

PROGRAM MEMORANDUM:

PROGRAM CATEGORY V - BASIC POVERTY RESEARCH

Part I

A. Recommendations:

1. It is recommended that work continue to be done to refine the definition of poverty and to place major emphasis on improving the data base on poverty, including in FY 1968, expenditures of at least $20 million (considerably less in years following) for a large pre-census sample of about 3 million dwelling units to provide reliable farm-nonfarm segregated data by state and major SMSA.

2. In FY 1968 and each year thereafter, it is recommended that at least $1 million be spent for annual Current Population Survey sample expansion and tables (see Table 2 and following explanation). In addition, about $1 million per year should be spent for special census studies in specific areas and problems.

3. It is recommended that the Institute for Research on Poverty continue to be funded for approximately $1 million per year.

4. Other major efforts which it is recommended be funded are:

   a. A national youth control group against which program participants can be measured in order to effectively assess the impact of Job Corps, Neighborhood Youth Corps, and MDTA on their enrollees.

   b. A national survey of adult literacy. At the present time, the only available information is on grade level completed, which does not necessarily reflect literacy or illiteracy.

   c. Analyses of the statistical relationships between poverty and poor housing, poor health, poor education, inadequate community

attention and organization, etc., with the use of data generated by the U.S. Bureau of the Census. Questions should be investigated to determine whether these relationships are casual or symptomatic and what OEO should be doing, and

d. Family patterns of poor families and how they differ among whites and nonwhites.

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OFFICE OF ECONOMIC OPPORTUNITY

ALTERNATIVE PROGRAM LEVELS
AND
SPECIAL TABLES

JUNE 1966

WAR ON POVERTY ALTERNATIVES

INTRODUCTION

We present separately two ordered lists of reductions from the recommended budget levels and one list of increases if high unemployment not now projected leads to a need for increased anti-poverty expenditures.

The first set of reductions (Table I) provides a recommended order for cutting the total War on Poverty budget if the maximum funds are not available. It includes OEO program cuts as a single category of the same general order of magnitude as the other reduction categories in the list, and suggests that retention of the maximum OEO budget is <u>more</u> important on anti-poverty cost-effectiveness grounds than beginning a housing construction program or a revised school lunch program, but is <u>less</u> important than beginning a housing rehabilitation program or a Negative Income Tax.

The second list of reductions (Table II) provides a detailed order for cutting the OEO budget as such. It is not necessary that every OEO reduction take place at the single point recommended by the total War on Poverty list, but it does not seem very useful to combine the gross magnitudes of the overall list with the comparatively detailed items on the OEO list. In addition, it may be that political factors as well as cost-effectiveness will govern the relative sizes of the budgets of OEO and the rest of the War on Poverty, and that reductions in the two budgets will thus be considered on the basis of different principles.

The ordering of reductions presented here ignores the political factors and concentrates on cost-effectiveness. The OEO reductions are based on the principle that OEO dollars can be most effective catalytically -- by using OEO, particularly CAP, as a lever, demonstration, and gap-filler for other programs available for the poor. The overall War on Poverty reductions are based on the principle that the single most effective anti-poverty programs in a time of prosperity are manpower programs which move the poor into the mainstream of the labor market in a way which will keep them there even if prosperity flags.

Table III provides a list of program increases which we would recommend if the unemployment rate should increase and if there is a need for increased anti-poverty expenditures.

TABLE I

WAR ON POVERTY ALTERNATIVE LEVELS FOR FY 1968
(Dollars in Millions)

	Recom. Level	Revision	Revised Amt.	Cum. Total
				30436
1. Housing Construction	190	-190	-0-	30246
It is possible to start the large-scale housing program we recommend with the less costly rehabilitation portion. What is recommended here, if necessary, is the postponement of large-scale construction, rather than its complete removal.				
2. School Lunch Program	448	-448	-0-	29798
The School Lunch program, as constrained politically, goes in large measure to non-poor children. While we propose retaining our recommended Food Stamp Program for pre-school children and pregnant mothers, it would be possible to postpone the in-school portion of the overall nutrition program until it is possible to make it more cost-effective by limiting it to poor children. *				
3. OEO Cuts (Detailed in Table II)	3620	-674	2946	29124
The below-listed OEO cuts, which would retain large-scale manpower programs, CAP as a powerful catalyst, and a sizeable Head Start should take place before giving up either the remaining rehabilitation portion of a major housing program for the poor, or the start on the basic income maintenance program which we believe to be an essential and currently non-existent portion of the total War on Poverty.				
4. Housing Rehabilitation	126	-126	-0-	28998
5. Negative Income Tax (Net Reduction)	3,300	-2,900	400*	26098
These are given up very reluctantly and only on grounds that they are costly and can be postponed until funds are available. We do not recommend starting either program at lower levels than suggested here. *Remains in public assistance budget.				
Revised Total				26098
OEO				2946
Non-OEO				23152
OEO By Organization			2946	
CAP (Less Head Start)			1012	
Head Start			319	
[illegible]			514	
All Other			1101	

* If the School Lunch Program is continued in its present form we would not consider it a major anti-poverty program.

TABLE II

OEO Alternative Levels for FY 1968

(Dollars in Millions)

		Recom.	Revision	Revised	OEO Cum. Total
					3,620
1.	CAP Social Services	36	-36	-0-	3,584
2.	CAP Remedial and Tutorial	45	-45	-0-	3,539
3.	Upward Bound	110	-66	44	3,473
4.	Legal Services	87	-27	60	3,446
	The first four cuts represent the change of CAP from a catalyst-plus-service-delivery operation to more of a catalyst role by removal of monies for services as such. We believe that such a change of concept is possible, although it clearly decreases the effectiveness of CAP, even for catalysis. A fuller discussion is presented in the first part of the Program Memorandum on Other Social and Economic Assistance.				
5.	Big City CAP	219	-110	109	3,336
	Although it is essential to demonstrate the effectiveness of full delivery of services by CAP in a number of areas, it is possible to save money by cutting out the largest demonstration city. This would limit but not eliminate the effect of the demonstration.				
6.	NYC Summer	169	-55	114	3,281
	The major anti-poverty rationale for the NYC Summer program is as a continuation of the In-School program. This reduction takes out the excess of summer over in-school. This excess is more properly chargeable to control of civil disturbance than to the War on Poverty.				
7.	Health Centers	74	-50	24	3,231
	Even at the higher level, the Health Center Program has been of a demonstration size. This would cut out a number of centers, thus providing a smaller demonstration, but one which can still be effective.				
8.	Headstart and Headstart Parent Education	639	-285	354	2,946

Headstart is a vital program, but faced with the necessity to cut, we would prefer to hold this program to 1967 levels in order to preserve funds for manpower and for the catalytic function of CAP. The cost-effectiveness at the margin of the recommended increases in manpower programs is very high--these programs for family heads are essential for the ultimate success even of Headstart.

The cost-effectiveness of what remains in CAP is also likely to be very high, because what has been retained is calculated as a powerful overall catalyst, designed to move funds far beyond its own costs. Headstart, however, will be a very large program in any case, and additional marginal expenditures, while valuable, are less essential.

TABLE III

WAR ON POVERTY ALTERNATIVE LEVELS FOR FY 1968

(Dollars in Millions)	Plan Level	Revision	Recommended Level	Cum. Total
				$30,436
I. Increases which will be necessary because of changed economy.				
A. Public Employment Program	$ 104	$+ 750	$ 854	$31,186
Create 250,000 jobs which will be full-time, useful jobs in hospitals, schools, parks, libraries, etc.				
B. NYC Out-of-School	278	+ 214	492	31,400
Increase the n umber of enrollees from 104,000 to 184,000 to provide an 80,000 increase in work training for youth and to the increased number of jobs provided through the Public Employment Program.				
II. Increases which will be possible because of increased need for expenditures.				
A. Elementary & Secondary Education Act	1,900	+1,000	2,900	32,400
To bring poor schools up to the levels of average student expenditures in the better systems of the country will require an estimate of $10 billion. At this revised level this is still just a start on the problem.				
B. Job Corps	383	+ 70	453	32,470
This provides a 10,000 increase in capacity for women raising the total from 6,300 to 16,300 in FY 68. Although the basic plan does not provide for increased women capacity due to the concern for the total Job Corps universe and the relatively higher costs for this program, there are undoubtedly sufficient numbers of women who could benefit from the intensive treatment in Job Corps to justify an increase of this magnitude.				
C. Headstart and Headstart Parent Ed.	639	+ 285	924	32,755
Increase annual program by 50,000 children for a total of 400,000, with a corresponding increase in parent adult literacy of 9,000 annual participants for a total of 191,000.				
In addition the phasing-in of construction would begin in FY 1968 rather than in FY 1969, with facilities being constructed for 100,000 children at a cost of $200 million. These facilities would be available for occupancy in FY 1970.				
D. Housing	316	+ 383	699	33,130
The plan called for a FY 68 program of 386,000 units being rehabilitated or constructed for a cost of $316 million. In an economy which has less defense requirements placed on it, the FY 1969 program could be undertaken as the beginning level or a total of 574,000 units at a cost of $679 million.				

The following Special Tables will be transmitted under separate cover:

Rural

Target Groups

Number of CAAs

Effects of 80/20 Share Ratio

Special Tables-1

COMMUNITY ACTION PROGRAM

PROJECTION OF TRAINING REQUIREMENTS

The attached table indicates funds and number of training slots required for specific elements. The figures include both professional and non-professional employee training. In addition to training directly associated with the elements, training programs will be developed and conducted under the demonstration program, and projects under technical assistance programs will in effect provide on-site training of community action personnel. The estimates for these elements are:

(Dollars in Millions)	1968	1969	1970	1971	1972
Demonstration Training	$20.0	$15.0	$10.0	$ 8.0	$ 5.0
Technical Assistance (exclusive of training programs identified below)	$23.0	$35.0	$28.0	$23.0	$17.0

The figures do not include costs associated with direct on-the-job training.

Headstart training slots are programmed at approximately 39 percent professional and 61 percent non-professional.

COMMUNITY ACTION PROGRAM

PROJECTION OF TRAINING REQUIREMENTS

I. Funding (millions)

	1968	1969	1970	1971	1972
Headstart	$ 20.0	$ 22.0	$ 26.0	$ 30.0	$ 34.0
Headstart Parent Educ.	10.5	6.1	6.2	6.3	6.4
CAP Adult Basic	2.3	7.0	14.0	25.0	20.3
Neighborhood Ctr. Opers.	5.1	7.8	3.0	3.0	3.0
Health Programs	7.5	7.4	15.4	15.0	8.9
CAP Services Support	2.7	3.4	2.3	2.2	1.8
Legal Assistance	.6	.6	.7	.8	.9
CAP Social Services	.6	.4	.6	.5	.8
TOTAL	$ 49.3	$ 54.7	$ 68.2	$ 82.8	$ 76.1

II. Trainee Slots (thousands)

	1968	1969	1970	1971	1972
Headstart	75.8	97.4	119.1	140.7	162.3
Headstart Parent Educ.	10.7	6.3	6.4	6.5	6.5
CAP Adult Basic	2.4	7.2	14.4	25.6	20.8
Neighborhood Ctr. Opers.	17.0	26.0	10.0	10.0	10.0
Health Programs	5.0	4.9	10.3	10.0	6.0
CAP Services Support	6.8	8.6	5.8	5.4	4.5
Legal Assistance	3.2	3.2	3.5	3.8	4.3
CAP Social Services	1.4	.9	1.4	1.2	1.9
TOTAL	122.3	154.5	170.9	203.2	216.3

Headstart Parent Education and CAP Adult Basic training requirements are essentially for teacher training.

Neighborhood Center Operations training includes instruction for both professional and non-professional although over 90 percent of the trainees would be classified as non-professional.

Health Program training is entirely subprofessional.

CAP Services Support is primarily training of professional CAA personnel and technical assistance personnel.

Legal Assistance training is primarily indoctrination of lawyers to poverty and legal problems of the poor.

CAP Social Services training is primarily instruction in consumer problems.

Training programs for other services such as homemaker services, youth programs, etc., and for employment elements are not projected separately since instruction in these fields would be included within the identified elements (neighborhood center operations, CAP Services Support). Moreover, normal turnover of CAA personnel within CAP programs will provide trained personnel to other elements.

NUMBER OF CAAs IN ACTION *

		1966	1967	1968	1969	1970	1971	1972
I.	Five Largest Urban Areas	7	12	13	13	13	13	13
II.	Urban Areas of 600,000 to 1,500,000	12	14	16	18	20	22	24
III.	Urban Areas of 50,000 to 600,000	147	175	190	200	200	200	200
IV.	Urban Areas of Less Than 50,000	164	234	248	269	282	290	300
V.	Rural Areas	370	515	633	700	760	825	863
	TOTAL	700	950	1100	1200	1275	1350	1400

*"CAAs IN ACTION" includes only those CAAs with active Section 205 Conduct and Administration components, and excludes agencies having only Section 204 Program Development grants.

NATIONAL ANTI POVERTY PLAN FY 1966-1972

Comparison of 90%/10% Funding with 80%/20% Funding
(In Millions of Dollars)

The following table compares fund requirements for OEO programs under a 90%/10% share basis with an 80%/20% basis for the period FY 1966-1972.

Fiscal Year	Fund Requirements Under 90%/10%	Fund Requirements Under 80%/20%
1966	$ 1,455	$ 1,356
1967	1,750	1,615
1968	3,620	3,310
1969	4,897	4,492
1970	5,943	5,434
1971	6,330	5,756
1972	6,866	6,245

OFFICE OF ECONOMIC OPPORTUNITY -- NATIONAL ANTI-POVERTY PLAN FY 1968-1972

TARGET GROUPS BY AGE

UNITS IN THOUSANDS

	FY 1968								FY 1972						
PROGRAM STRUCTURE	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Total	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families
I. EMPLOYMENT			172	1014		5		1191			176	1181		5	
A. JOB CREATION ASSISTANCE			--	139		5		144			--	248		5	
1. Public Empl. Program				35				35				50			
2. Foster Grandparents						5		5						5	
3. CAP Subprof. Employment				104				104				198			
B. JOB TRAINING ASSISTANCE			167	555				722			176	713			
1. Manpower Dev. & Trng.				425				425				425			
2. Adult Work Training				80				80				128			
3. Rural Adult Program				50				50				160			
4. Job Corps			63					63			63				
5. NYC Out-of-School			104					104							
6. Nat'l Youth Trng. Program								--			113				
7. Work Experience Program								--							
C. JOB SEARCH ASSISTANCE				120				120				120			
1. U.S. Employment Service															
2. Labor Mobility Program				120				120				120			
D. EMPLOY. COORDINATION ASST.				200				200				100			
1. CAP Comp. Manpower Prog.				200				200				100			
2. Manpower Trng. Centers															

OFFICE OF ECONOMIC OPPORTUNITY -- NATIONAL ANTI-POVERTY PLAN FY 1968-1972

TARGET GROUPS BY AGE

UNITS IN THOUSANDS

PROGRAM STRUCTURE	FY 1968								FY 1972							
	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Total	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	T
E. RESEARCH AND DEMONSTRATION			5					5								
1. Job Corps			5					5								
2. Neighborhood Youth Corps																
3. Nat'l Youth Trng. Prog.																
4. Community Action Program																
F. ALL OTHER FEDERAL PROGRAMS																
II. INDIVIDUAL IMPROVEMENT	967	10250	1003	436				12656	1410	10340	2564	1203				15
A. PRESCHOOL CHILDREN (3-5)	967							967	1410							
1. Head Start - Annual	350							350	750							
2. Head Start - Summer	600							600	600							6
3. Migrant Day Care	17							17	60							
B. IN-SCHOOL CHILD & YOUTH (5-21)		10250	1003					11253		10340	2564					1.
1. NYC In-School Program			270					270			1100					1
2. NYC Summer Program			400					400			1100					1
3. CAP Remedial Tutorial			300					300			264					
4. Title I Educ. Act		10000						10000		10000						1C
5. Migrant Youth		250						250		340						
6. Upward Bound			33					33			100					
C. ADULTS (18-59)				436				436				1203				
1. Head Start Parent Educ.				152				152				161				
2. CAP Adult Basic				60				60				412				
3. Adult Basic Educ. (II-B)				170				170				476				
4. Migrant Adult Basic				54				54				154				

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TARGET GROUPS BY AGE

UNITS IN THOUSANDS

	FY 1968								FY 1972							
PROGRAM STRUCTURE	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Total	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	T
D. RESEARCH AND DEMONSTRATION																
1. Head Start																
2. Neighborhood Youth Corps																
3. Community Action Prog.																
4. Adult Basic (II-B)																
E. ALL OTHER FEDERAL PROGRAMS							[illegible]	[illegible]							[illegible]	[illegible]
III COMMUNITY SUPPORT	--	11405		3646	--	--	36540	51591		28631		331			83452	II[illegible]
A. CONCERTED SVS. ASSISTANCE							20720	20720							30900	30[illegible]
1. Neighborhood Service Ctrs.							14200	14200							21300	21[illegible]
2. Constr. & Reh. of Com. Fac.							6520	6520							9600	9[illegible]
B. HEALTH ASSISTANCE				1500			1900	3400				300			21300	
1. Neighborhood Health Ctrs.							900	900							11300	--
2. Other Health Assistance							1000	1000							10000	10[illegible]
3. Family Planning				1500				1500				150				1[illegible]
4. Non-OEO Family Planning												150				[illegible]
5. Migrant Sanitation																
C. HOUSING ASSISTANCE							2030	2030							3[illegible]	
1. Housing Rehabilitation							1295	1295							2395	[illegible]
2. Housing Construction							635	635							1155	1[illegible]
3. Migrant Housing							100	100							300	[illegible]
4. Community Action Program																

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(Units in thousands - Dollars in millions)

PROGRAM STRUCTURE	ADMINISTRATIVE PROGRAM	OUTPUT UNIT	FY 1966		FY 1967		FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
V. BASIC POVERTY RESEARCH	CAP			$ 5		$ 10		$ 32		$ 19		$ 18		$ 19		$ 18
VI. GENERAL SUPPORT	GEN.SPT.			$ 12		$ 17		$ 31		$ 40		$ 45		$ 45		$ 46
DRAFT REJECTEE PROGRAM				$ 5		$ 5		$ 5		$ 5		$ 5		$ 5		$ 5
TOTAL				$20298		$23955		$30436		$33546		$36277		$38357		$41201
OEO PROGRAMS				1455		1750		3620		4897		5943		6330		6884
NON-OEO PROGRAMS				18843		22205		26816		28649		30334		32027		34317

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PROGRAM CATEGORY V - BASIC POVERTY RESEARCH

Part II

A. OEO Objectives

The objective of basic research sponsored by the OEO is to define and analyze the nature, causes and cures of poverty. Results of basic research provide the basis for planning recommendations and for evaluation of operating OEO programs. In fiscal years 1966 and 1965, basic research expenditures were about $5 million per year. Major emphasis during these early years of OEO's existence was on developing a definition of poverty based on the March 1965 national population survey by the U.S. Bureau of the Census. Under this definition, any family earning less than a stipulated amount, roughly $3,000 for a four-person family (smaller for farm families), is considered poor, and the line varies with family size.

In FY 1966, the two largest expenditures for basic research went to the U.S. Bureau of the Census (approximately $1.5 million) primarily for an expanded national survey of income, work experience, and related subjects conducted in the Spring of 1966, as part of the monthly Current Population Survey, and to the University of Wisconsin to establish the National Institute for Research on Poverty ($1.5 million). The Institute is an interdisciplinary effort ranging broadly over the economics, sociology, law, and other social sciences of population groups in the U.S. characterized by low income, family disintegration, poor housing, etc.

B. Proposed Research Programs

Table I contains a listing of proposed research programs to be undertaken or continued and the estimated costs of such programs. Table II lists research projects to be undertaken with the Bureau of the Census. Each of these projects is described in some detail in the attachment to Table II.

TABLE I

OEO PROJECTED BASIC POVERTY RESEARCH PROGRAMS

	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Economic and Employment Studies	$434,000	$1,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Studies of Community Structure	859,000	1,490,000	2,450,000	2,500,000	2,950,000	2,500,000	2,500,000
Studies of Characteristics of the Poor (excluding Census Bureau Surveys)	300,000	1,690,000	700,000	1,300,000	1,800,000	1,800,000	2,250,000
Studies of OEO Program Implications	225,000	1,200,000	2,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Studies of the Nature of Poverty	346,000	1,600,000	1,800,000	2,500,000	3,500,000	3,500,000	3,500,000
Bureau of the Census Work*	1,336,000	1,920,000	21,850,000	4,700,000	2,250,000	3,200,000	2,350,000
Institute for Research on Poverty	1,500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,00
Total**	$5,000,000	$10,000,000	$32,300,000	$18,500,000	$18,000,000	$18,500,000	$18,100,00

*See Table II and following narrative.
**NCTE: Master table will be changed to reflect these totals.

TABLE II

OEO PROJECTED BASIC POVERTY RESEARCH PROGRAMS

IN COOPERATION WITH CENSUS BUREAU

Project		FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
	Minimum Total	$1,750,000	$21,850,000	$4,700,000	$2,250,000	$3,200,000	$2,350,000
1	Annual CPS Sample Expansion and Tables	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2	Longitudinal Income Sample, Programing, Tables (10,000 households?)	500,000	600,000	700,000	800,000	900,000	900,000
3	Large Pre-Census Sample	250,000	20,000,000	2,750,000	---	---	---
4	Special Decennial Tabulations	---	---	---	200,000	1,000,000	100,000
5	Special Analytical Tables of Poverty Universes (Census tables, HEW and IRS tape matches, etc.)	---	250,000	250,000	250,000	300,000	350,000

ATTACHMENT TO TABLE II

Project 1:

This figure assumes that developed sampling plans and tabulation programing in being in FY 1966, will be useable in subsequent years. It is also assumed that savings due to re-use of this operations matrix will be consumed by increases in Census survey costs. Finally, it is assumed that the 80,000 dwelling unit effort, including a 30,000 panel, will be the minimum level of recurrent annual measure of national poverty.

Project 2:

This longitudinal study of socio-economic changes affecting individuals is currently quite uniform in sample size or unit cost. The relatively modest costs shown are supplemented by amounts in Project 5 (searches and crosses in individual tape records of other agencies) and increase over-time as secondary households attach to individual children in the original sample and as mobile households are traced.

Project 3:

This large pre-Census sample of 3 million dwelling units carries on over-all price tag of $20 million affixed by Bureau of the Budget and the Bureau of the Census. Portions have been split off for planning in the previous year and analysis in the following year. The survey is essentially a pre-test Census large enough to provide reliable farm-nonfarm segregated data by state and by major SMSA.

Project 4:

The OEO need for special tabulations from 1970 Census data is a certainty. Little planning can be done before FY 1970 collection; consequently, most of the budgeted amount is in FY 1971.

Project 5:

Linkage of individuals in Census and OEO surveys to their IRS and HEW records is quite likely to occur by FY 1968:

a. To verify reported incomes.

b. To trace "lost" persons and families.

c. To evaluate program effects on "graduates."

d. To allow rotation of portions of the longitudinal sample without completely losing touch.

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TARGET GROUPS BY AGE

UNITS IN THOUSANDS

	FY 1968								FY 1972							
PROGRAM STRUCTURE	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Total	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Tot
D. LEGAL ASSISTANCE							10800	10800							22400	2240
1. CAP Legal Services							10800	10800							22400	22400
E. LOAN ASSISTANCE				16				16				31				3
1. Operation of SBDCs 2. Operation of SBDCs 3. Rural Loans				16				16				31				3
F. NUTRITIONAL ASSISTANCE		11405					3220	14625		28631					5002	336
1. School Lunch Program 2. Food Stamp Program		11405					3220	11405 3220		28631					5002	2863 50
G. COMM. SERVICES SUPP. ASST.							450	450							1175	117
1. CAP Services Support 2. VISTA 3. VISTA Associates							450	450							1175	117
H. OTHER SOCIAL & ECON. ASST.																
1. CAP Social Services																

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TARGET GROUPS BY AGE

UNITS IN THOUSANDS

	FY 1968								FY 1972							
PROGRAM STRUCTURE	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Total	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Tota
I. RESEARCH & DEMONSTRATION																
1. Big City CAP 2. CAP Health Asst. R&D 3. CAP Hsg. & Comm. Fac. R&D 4. CAP Legal Asst. R&D 5. CAP Other Soc Asst R&D																
J. ALL OTHER FEDERAL PROGRAMS																
INCOME MAINTENANCE	4100	5700	2200	6500	1800	3800		24100 *	7200	9900	3700	11400	3300	6600		42100
A. NEGATIVE INCOME TAX	4100	5700	2200	6500	1800	3800		24100 *	7200	9900	3700	11400	3300	6600		42100
1. Gross Cost Negative Income Tax 2. Positive Tax Offsets																
B. PUBLIC ASSISTANCE																
1. Public Asst. Programs																
C. ALL OTHER FEDERAL PROGRAMS																
BASIC POVERTY RESEARCH																
GENERAL SUPPORT																

* The total of 24.1 million persons has been distributed by age groups based on percentage of the poor in each age group. Same set of percentages has been used for FY 1972 projections.

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TARGET GROUPS BY AGE

UNITS IN THOUSANDS

PROGRAM STRUCTURE	FY 1968								FY 1972							
	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Total	0-5	6-15	16-21	22-54	55-64	65 & Over	Persons in Families	Tot[illegible]
DRAFT REJECTEE PROGRAM																
TOTAL	5067	27355	3375	11596	1800	3805	36990	89988	8610	48871	6440	14115	3300	6605	84627	17256

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PROGRAM STRUCTURE	FY 1966			FY 1967			FY 1968			FY 1969			FY 1970			FY 1971			FY 197	
	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban
I. EMPLOYMENT	$69	$187	$325	$116	$295	$251	$269	$575	$433	$426	$730	$400	$513	$790	$378	$553	$731	$378	$695	$731
A. JOB CREATION ASSISTANCE	$--	$ 10	$ 5	$ 18	$ 55	$ 10	$ 26	$ 78	$ 10	$ 31	$ 94	$ 10	$ 36	$106	$ 10	$ 39	$118	$ 10	$ 39	$118
1. Public Empl. Program	--	10	--	18	55	--	26	78	--	31	94	--	36	106	--	39	118	--	39	118
2. Foster Grandparents	--	--	5	--	--	10	--	--	10	--	--	10	--	--	10	--	--	10	--	--
3. CAP Subprof. Employment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
B. JOB TRAINING ASSISTANCE	$64	$147	$310	$ 92	$210	$221	$233	$407	$383	$385	$546	$338	$469	$617	$338	$509	$568	$338	$651	$568
1. Adult Work Training	--	--	--	--	--	--	--	199	--	--	270	--	--	331	--	--	331	--	--	331
2. Rural Adult Program	--	--	--	--	--	--	163	--	--	287	--	--	373	--	--	430	--	--	572	--
3. Job Corps	--	--	310	--	--	221	--	--	383	--	--	338	--	--	338	--	--	338	--	--
4. NYC Out-of-School	25	74	--	36	106	--	70	208	--	98	276	--	--	--	--	--	--	--	--	--
5. Nat'l Youth Trng. Prog.	--	--	--	--	--	--	--	--	--	--	--	--	96	286	--	79	237	--	79	237
6. Work Experience Program	39	73	--	56	104	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
C. JOB SEARCH ASSISTANCE																				
D. EMPLOY. COORDINATION ASST.	$ 5	$ 30	$ --	$ 6	$ 30	$ --	$ 10	$ 90	$ --	$ 10	$ 90	$ --	$ 8	$ 67	$ --	$ 5	$ 45	$ --	$ 5	$ 45
1. CAP Comp. Manpower Prog.	5	30	--	6	30	--	10	90	--	10	90	--	8	67	--	5	45	--	5	45
E. RESEARCH AND DEMONSTRATION	$--	$ --	$ 10	$ --	$ --	$ 20	$ --	$ --	$ 40	$ --	$ --	$ 52	$ --	$ --	$ 30	$ --	$ --	$ 30	$ --	$ --
1. Job Corps	--	--	--	--	--	7	--	--	23	--	--	35	--	--	13	--	--	13	--	--
2. Neighborhood Youth Corps	--	--	--	--	--	--	--	--	2	--	--	2	--	--	--	--	--	--	--	--
3. Nat'l Youth Trng. Prog.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2	--	--	2	--	--
4. Community Action Program	--	--	10	--	--	13	--	--	15	--	--	15	--	--	15	--	--	15	--	--

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PROGRAM STRUCTURE	FY 1966			FY 1967			FY 1968			FY 1969			FY 1970			FY 1971			FY 1972	
	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban
II. INDIVIDUAL IMPROVEMENT	$162	$282	$87	$218	$350	$106	$508	$745	$54	$749	$1137	$58	$937	$1483	$58	$1067	$1576	$58	$1151	$1813
A. PRESCHOOL CHILDREN (3-5)	$ 76	$120	$--	$127	$197	$ --	$208	$340	$--	$330	$ 530	$--	$377	$ 600	$--	$ 344	$ 542	$--	$ 392	$ 612
1. Head Start - Annual	36	58	--	89	142	--	163	260	--	282	450	--	326	520	--	290	462	--	334	532
2. Head Start - Summer	39	62	--	35	55	--	40	80	--	40	80	--	40	80	--	40	80	--	40	80
3. Migrant Day Care	1	--	--	3	--	--	5	--	--	8	--	--	11	--	--	14	--	--	18	--
B. IN-SCHOOL CHILD. & YOUTH	$ 52	$130	$69	$ 50	$118	$ 74	$188	$305	$--	$258	$ 445	$--	$347	$ 671	$--	$ 402	$ 797	$--	$ 465	$ 925
1. NYC In-School Program	19	57	--	21	62	--	30	89	--	50	148	--	83	248	--	99	297	--	122	366
2. NYC Summer Program	24	73	--	19	56	--	42	127	--	58	174	--	90	269	--	106	316	--	116	348
3. CAP Remedial Tutorial	--	--	44	--	--	44	19	26	--	22	29	--	22	29	--	20	27	--	17	23
4. Migrant Youth	9	--	--	10	--	--	50	--	--	57	--	--	57	--	--	59	--	--	68	--
5. Upward Bound	--	--	25	--	--	30	47	63	--	71	94	--	95	125	--	118	157	--	142	188
C. ADULTS (18-59)	$ 34	$ 32	$--	$ 41	$ 35	$ 14	$112	$100	$--	$161	$ 162	$--	$213	$ 212	$--	$ 321	$ 237	$--	$ 294	$ 276
1. Head Start Parent Educ.	--	--	--	--	--	14	30	40	--	25	41	--	26	42	--	59	10	--	27	42
2. CAP Adult Basic	7	10	--	11	17	--	10	16	--	21	33	--	41	66	--	70	111	--	70	111
3. Adult Basic Educ. (IIB)	14	22	--	12	18	--	27	44	--	55	88	--	65	104	--	73	116	--	76	123
4. Migrant Adult Basic	13	--	--	18	--	--	45	--	--	60	--	--	81	--	--	119	--	--	121	--
D. RESEARCH & DEMONSTRATION	$ --	$ --	$18	$ --	$ --	$ 18	$ --	$ --	$54	$ --	$ --	$58	$ --	$ --	$58	$ --	$ --	$58	$ --	$ --
1. Head Start	--	--	6	--	--	6	--	--	26	--	--	30	--	--	30	--	--	30	--	--
2. Neighborhood Youth Corps	--	--	--	--	--	--	--	--	1	--	--	1	--	--	1	--	--	1	--	--
3. Community Action Prog.	--	--	12	--	--	12	--	--	25	--	--	25	--	--	25	--	--	25	--	--
4. Adult Basic (IIB)	--	--	--	--	--	--	--	--	2	--	--	2	--	--	2	--	--	2	--	--

OFFICE OF ECONOMIC OPPORTUNITY
NATIONAL ANTI-POVERTY PLAN
FY 1966 - 1972

June 15, 1966 PAGE OF

PROGRAM STRUCTURE	FY 1966			FY 1967			FY 1968			FY 1969			FY 1970			FY 1971			FY 1972		
	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	U-
III. COMMUNITY SUPPORT	$68	$80	$171	$81	$139	$162	$275	$507	$186	$411	$711	$211	$507	$1003	$206	$605	$1087	$206	$657	$1138	
A. CONCERTED SVS. ASSISTANCE	$16	$54	$ --	$20	$ 70	$ --	$ 60	$115	$ --	$101	$157	$ --	$ 99	$ 151	$ --	$ 99	$ 151	$ --	$ 99	$ 151	
1. Neighborhood Serv. Ctrs.	16	54	--	20	70	--	60	115	--	101	157	--	99	151	--	99	151	--	99	151	
B. HEALTH ASSISTANCE	$ 5	$12	$ 3	$ 6	$ 24	$ 13	$ 40	$ 97	$ --	$ 57	$165	$ --	$114	$ 357	$ --	$148	$ 509	$ --	$142	$ 499	
1. Neighborhood Health Ctrs.	--	--	1	--	--	10	8	66	--	13	124	--	32	283	--	60	429	--	54	419	
2. Other Health Assistance	5	12	--	6	24	--	20	20	--	30	30	--	68	67	--	75	75	--	75	75	
3. Family Planning	--	--	2	--	--	3	8	11	--	8	11	--	6	7	--	4	5	--	3	5	
4. Migrant Sanitation	--	--	--	--	--	--	4	--	--	6	--	--	8	--	--	9	--	--	10	--	
C. HOUSING ASSISTANCE	$ 4	$ 5	$ --	$ 8	$ 5	$ --	$ 54	$ 5	$ --	$ 85	$ 7	$ --	$ 88	$ 8	$ --	$110	$ 9	$ --	$130	$ 10	
1. Migrant Housing	3	--	--	6	--	--	51	--	--	82	--	--	84	--	--	106	--	--	125	--	
2. Community Action Program	1	5	--	2	5	--	3	5	--	3	7	--	4	8	--	4	9	--	5	10	
D. LEGAL ASSISTANCE	$ --	$--	$ 25	$ 6	$ 22	$ --	$ 56	$ 31	$ --	$ 80	$ 43	$ --	$ 96	$ 72	$ --	$112	$ 59	$ --	$126	$ 60	
1. CAP Legal Services	--	--	25	6	22	--	56	31	--	80	43	--	96	72	--	112	59	--	126	60	
E. LOAN ASSISTANCE	$ 35	$ 2	$ --	$28	$ 5	$ --	$ 25	$ --	$ --	$ 36	$ --	$ --	$ 43	$ --	$ --	$ 51	$ --	$ --	$ 60	$ --	
1. Operation of SBDCs																					
2. Operation of SBDCs	--	2	--	--	5	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
3. Rural Loans	35	--	--	28	--	--	25	--	--	36	--	--	43	--	--	51	--	--	60	--	
F. NUTRITIONAL ASSISTANCE																					

ADMINISTRATIVELY CONFID.

OFFICE OF ECONOMIC OPPORTUNITY
NATIONAL ANTI-POVERTY PLAN
FY 1966 - 1972

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PROGRAM STRUCTURE	FY 1966			FY 1967			FY 1968			FY 1969			FY 1970			FY 1971			FY 197	
	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban	Undist.	Rural	Urban
G. COMM. SERVICES SUPP. ASST.	$ 8	$ 7	$48	$ 13	$13	$33	$ 25	$ 19	$91	$ 35	$ 20	$118	$ 47	$ 20	$123	$ 60	$ 21	$123	$75	$ 21
1. CAP Services Support	--	--	48	$ --	--	33	--	--	91	--	--	118	--	--	123	--	--	123	--	--
2. VISTA	7.4	7.2	--	13	13	--	21.1	17.9	--	30.8	18.2	--	41.5	18.5	--	53.2	18.8	--	67	19
3. VISTA Assoc. Program	.4	--	--	(1.9)	(.7)	--	3.7	1.3	--	4.5	1.5	--	5.2	1.8	--	6.7	2.3	--	8	2
H. OTHER SOCIAL & ECON. ASST.	$ --	$ --	$40	$ --	$--	$42	$ 15	$ 21	$--	$ 17	$ 25	$ --	$ 20	$ 31	$ --	$ 25	$ 31	$ --	$25	$ 39
1. CAP Social Services	--	--	40	--	--	42	15	21	--	17	25	--	20	31	--	25	31	--	25	39
I. RESEARCH & DEMONSTRATION	$ --	$ --	$55	$ --	$--	$74	$ --	$ 219	$95	$ --	$ 294	$ 93	$ --	$ 364	$ 83	$ --	$ 307	$ 83	$--	$358
1. Big City CAP	--	--	--	--	--	--	--	219	--	--	294	--	--	364	--	--	307	--	--	358
2. CAP Health Asst. R&D	--	--	8	--	--	8	--	--	12	--	--	16	--	--	20	--	--	24	--	--
3. CAP Hsg. & Comm. Fac. R&D	--	--	3	--	--	5	--	--	8	--	--	12	--	--	13	--	--	14	--	--
4. CAP Legal Asst. R&D	--	--	2	--	--	3	--	--	3	--	--	3	--	--	3	--	--	3	--	--
5. CAP Other Soc. Asst. R&D	--	--	42	--	--	58	--	--	72	--	--	62	--	--	47	--	--	42	--	--
V. BASIC POVERTY RESEARCH	$ --	$ --	$ 5	$ --	$--	$10	$ --	$ --	$32	$ --	$ --	$ 19	$ --	$ --	$ 18	$ --	$ --	$ 19	$--	$--
VI. GENERAL SUPPORT	$ --	$ --	$12	$ --	$--	$17	$ --	$ --	$31	$ --	$ --	$ 40	$ --	$ --	$ 45	$ --	$ --	$ 45	$--	$--
DRAFT REJECTEE PROGRAM	--	--	5	--	--	5	--	--	5	--	--	5	--	--	5	--	--	5	--	--
TOTAL	$299	$549	$605	$415	$784	$551	$1052	$1628	$940	$ 586	$2308	$1003	$1914	$2945	$1041	$2225	$3063	$1032	$2376	$3352
OEO PROGRAMS																				
NON-OEO PROGRAMS																				